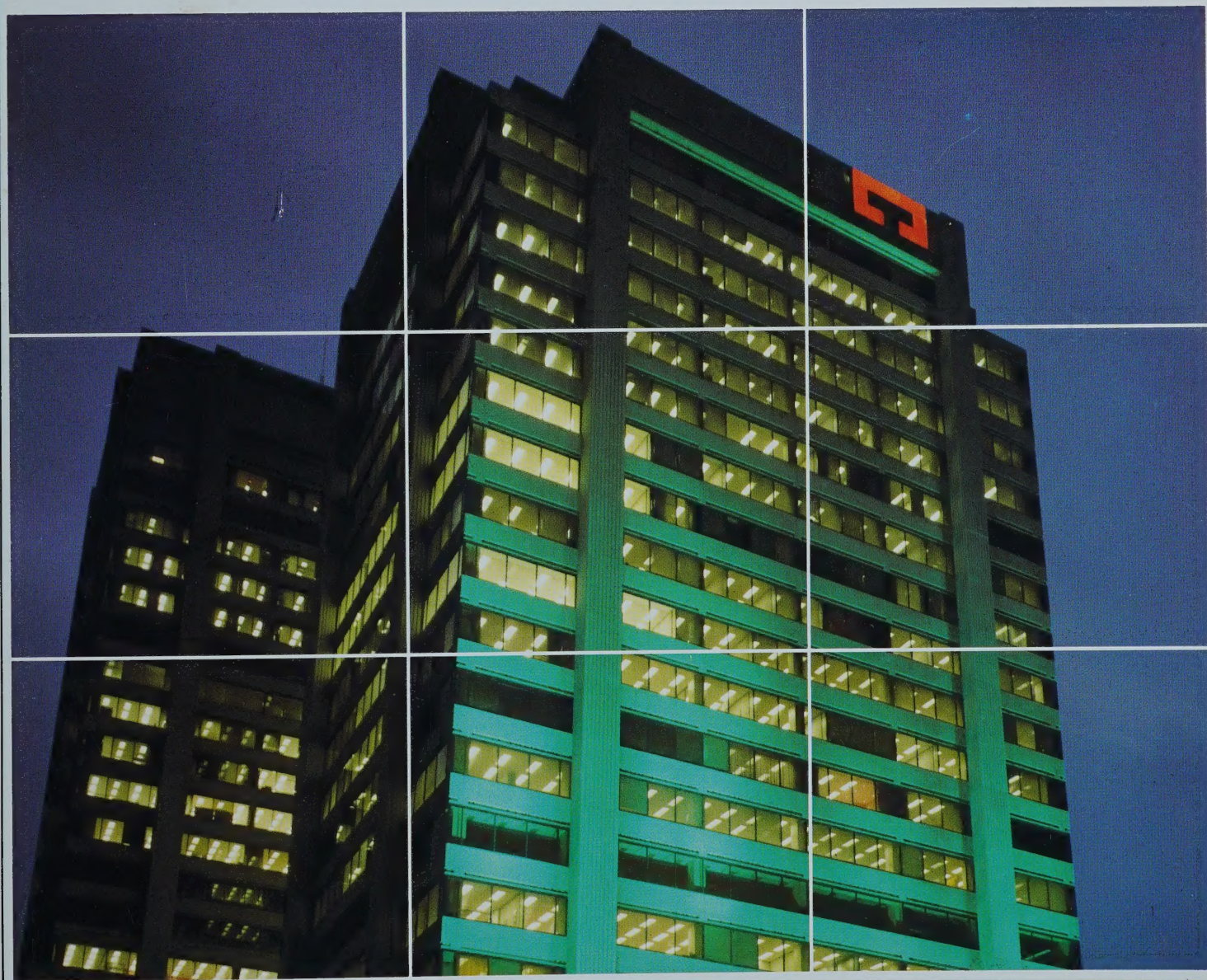


Canada Trust Annual Report 1976



The cover pictures the Canada Trust Tower, City Centre, London, Ontario.
 The inside and back covers show 45 of our 123 Financial Services Branches depicting the national scope of Canada Trust serving the financial needs of Canadians from Atlantic to Pacific.
 The Branches are named as they appear, top to bottom and left to right.

*Montreal Main and
 Quebec-Atlantic Regional Office
 Stratford
 Edmonton Main*

*Niagara Falls Main
 New Westminster
 Victoria*

*Halton Hills (Georgetown)
 St. Thomas Main
 Oakville*



Elmira
Ottawa
London Sherwood

Brampton
Calgary Southcentre
Vancouver Oakridge

Cambridge John Galt
Windsor Main
Bramalea



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*Annual General Shareholders' Meeting 2:00 p.m.
Tuesday, February 22, 1977
Holiday Inn, City Centre Tower, London, Ontario*

Preference shares series B convertible and common shares
are listed on Toronto, Montreal, Vancouver and Alberta Stock Exchanges.

V-Day valuation of common shares as at December 22, 1971 is \$25.00.

Head Office: Canada Trust Tower, 275 Dundas St., London, Ontario, Canada N6A 4S4



Member of The Trust Companies Association of Canada

All those listed are Directors of Canada Trust except Henry Borden and John B. Cronyn who are Directors of Canada Trustco. Those serving as Directors of both Companies are indicated by an asterisk (). Members of the Executive Committee are indicated by a circle (°).*

JOHN ANDERSON, Niagara Falls
President, Welland Securities (1964)
Limited

* A.E. BARRON, Toronto
Chairman, Canadian Tire Corporation
Limited

*° WALTER A. BEAN, Waterloo
Deputy Chairman, Canada Trust
Chairman, Economical Mutual
Insurance Company

WESLEY J. BEATTY, Acton
Retired Executive

WALTER J. BLACKBURN, London
Chairman & Publisher, London Free
Press Printing Company Limited

HENRY BORDEN, Toronto
Corporate Director

C.W. BRAZIER, Vancouver
Barrister and Solicitor

D.W. BROWN, Kitchener
Chairman, Lear Siegler Industries
Limited

HUGH CAMPBELL, Ottawa
Corporate Director

* C. ROBERT CLARKE, London
Vice-President-General Counsel and
Secretary, Canada Trust

J.V. CLYNE, Vancouver
Director, MacMillan Bloedel Limited

* G.E. CREBER, Toronto
President and Chief Executive Officer
The Consumers' Gas Company

JOHN B. CRONYN, London
Corporate Director

FREDERICK W. DAKIN, Hamilton
President and Chief Executive Officer
The G.W. Robinson Company Limited

G.H. DOBBIE, Cambridge
President, Dobbie Industries Limited

T. EDMONDSON, St. Catharines
Chairman, Ferranti Packard Limited

KENNETH A. FOWLER, St. Catharines
President, Foxfield Properties Limited

*° J.D. HARRISON, London
Barrister and Solicitor

W. HOWARD HEMPHILL, Stratford
President, Imperial Furniture Mfg. Co.
Limited

ELMORE HOUSER, Toronto
Barrister and Solicitor

*° A.H. JEFFERY, London
President, London Life Insurance
Company

*° TOM F.G. LAWSON, London
Vice-President, Canada Trust
Chairman & President, Lawson &
Jones Limited

*° K.R. MacGREGOR, Waterloo
Chairman, The Mutual Life Assurance
Company of Canada

H.S. MATTHEWS, Guelph
Retired Executive

W.J. McGIBBON, Waterloo
Barrister and Solicitor

DUNCAN McINTOSH, Cambridge
Retired Executive

* M.C.G. MEIGHEN, Toronto
Vice-President, Canada Trust
Chairman, Canadian General
Investments Limited

*° ARTHUR H. MINGAY, London
President and Chief Executive Officer
Canada Trust

KENNETH G. MURRAY, Kitchener
President, Schneider Corporation

CARL O. NICKLE, Calgary
President, Conventures Limited

* LOUIS RASMINSKY, Ottawa
Chairman, International Development
Research Centre

KENNETH A. ROBERTS, Toronto
Deputy Chairman, President and
Chief Executive Officer, Hambro
Canada Limited

E.G. SCHAFER, Kitchener
Senior Vice-President, Lutheran Life
Insurance Society of Canada

J.E. FROWDE SEAGRAM, Waterloo
Chairman, Canbar Products Limited

G.E. SHARPE, Winnipeg
President, Sharpe's Limited

W.H. SPRAGUE, Edmonton
Chairman, Sprague Drug Limited

W.J. STENASON, Montreal
Executive Vice-President
Canadian Pacific Investments Limited

R.W. STEVENS, Toronto
Barrister and Solicitor

JOHN D. STEVENSON, Toronto
Barrister and Solicitor

J.J. STUART, Windsor
Chairman and President, J.T. Wing
Limited

*° J. ALLYN TAYLOR, London
Chairman, Canada Trust

NOAH TORNØ, Toronto
Chairman and Chief Executive Officer
Jordan Valley Wines Limited

RAYMOND A. WHEELER, London,
England. Executive Director, Hambros
Bank Limited

PETER N.T. WIDDRINGTON, London
President, John Labatt Limited

* J.D. WILSON, Vancouver
Corporate Director

R.B. WILSON, Victoria
President, The B. Wilson Company
Limited

Honorary Directors

V.P. CRONYN
GORDON FARRELL
W.W. FOOT
COLIN S. GLASSCO
HAROLD H. LEATHER
O.E. MANNING
C.A. MARTIN
HUGH L. McCULLOCH
G.E. ROBERTSON
JOHN W. SCOTT
MERVYN J. SMITH
J. GORDON THOMPSON
ALFRED S. UPTON
A. ERNEST WALFORD
CLARENCE WALLACE
C.N. WEBER
G.E.G. WHITAKER

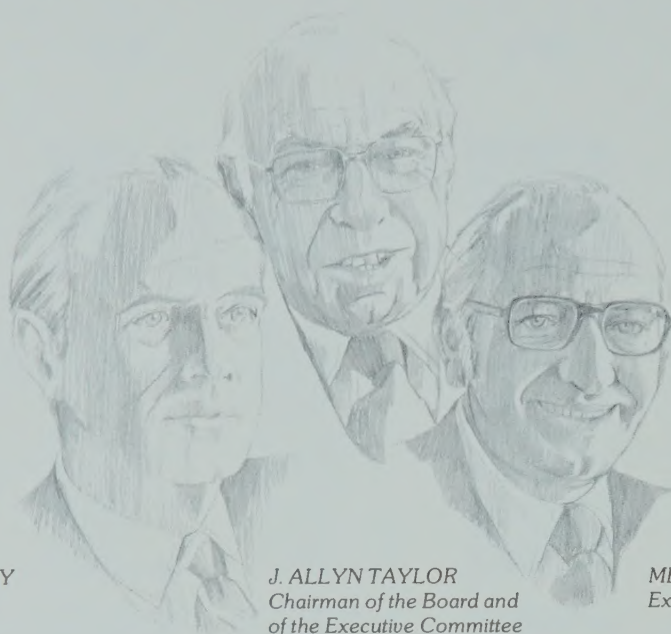
TEN YEAR RECORD

4

	1976	1975	1974
For the year (in thousands)			
Income			
Investment	\$ 292,724	\$ 219,984	\$ 181,346
Fees and commissions	27,867	26,004	21,257
Other	5,976	5,102	4,592
	<u>326,567</u>	<u>251,090</u>	<u>207,195</u>
Expense			
Interest on deposits	236,345	175,005	148,038
Salaries, employee benefits and commissions	40,786	34,362	27,816
Other	23,224	18,284	14,743
	<u>300,355</u>	<u>227,651</u>	<u>190,597</u>
Earnings before income taxes	26,212	23,439	16,598
Income taxes	8,509	9,360	7,569
Net earnings	<u>\$ 17,703</u>	<u>\$ 14,079</u>	<u>\$ 9,029</u>
At year-end (in thousands)			
Assets under administration	\$6,891,000	\$5,563,000	\$4,771,000
Personal, pension and pooled trust funds	3,189,000	2,937,000	2,547,000
Deposits	3,524,000	2,483,000	2,111,000
Loans	2,974,000	2,151,000	1,868,000
Shareholders' equity	147,000	121,000	89,000
Per common share			
Net earnings			
Basic	\$ 2.57	\$ 2.17	\$ 1.61
Fully diluted	2.47	2.14	
Dividends paid including tax paid on Class B dividends	1.20	1.20	1.20
Shareholders' equity	15.71	15.06	14.54
Market price			
High	26½	27	31¾
Low	18¾	22	16½
December 31	21	24½	23½
Price-fully diluted earnings multiple, December 31	8.5	11.4	14.6
Statistical data at year-end			
Number of shares outstanding			
Preference series A	325,000	380,280	425,000
series B convertible	1,500,000	1,500,000	
series C convertible	56,437		
Common Class A convertible	6,800,576	5,521,088	5,521,088
Class B convertible	188,087		
Percentage of shares held in Canada	99	99	99
Number of shareholders	7,401	6,309	4,612
Volume of shares traded during the year			
Preference series B convertible	215,000	263,000	
Common Class A and B interconvertible	402,000	443,000	321,100
Number of branches and mortgage offices	125	96	93
Number of full-time employees	2,451	2,224	2,226
Number of real estate offices	56	48	46
Number of real estate sales representatives	578	460	368

The growth of the companies was enhanced in 1976 through the acquisition of The Lincoln Trust and Savings Company and Ontario Trust Company. These companies added 26 branches, 232 full-time employees and \$486,000,000 in assets under administration to the system.

1973	1972	1971	1970	1969	1968	1967
\$ 149,793	\$ 129,796	\$ 114,946	\$ 101,691	\$ 83,806	\$ 58,172	\$ 44,715
17,747	14,492	11,678	10,283	7,767	6,360	5,165
2,620	2,134	2,343	2,015	1,858	1,007	769
<u>170,160</u>	<u>146,422</u>	<u>128,967</u>	<u>113,989</u>	<u>93,431</u>	<u>65,539</u>	<u>50,649</u>
110,055	92,779	84,573	80,660	64,109	42,313	30,231
22,002	17,635	14,625	12,736	10,564	8,275	6,746
13,007	11,648	9,560	8,979	8,108	5,802	5,160
<u>145,064</u>	<u>122,062</u>	<u>108,758</u>	<u>102,375</u>	<u>82,781</u>	<u>56,390</u>	<u>42,137</u>
25,096	24,360	20,209	11,614	10,650	9,149	8,512
12,194	11,178	9,952	5,666	5,086	4,466	3,970
<u>\$ 12,902</u>	<u>\$ 13,182</u>	<u>\$ 10,257</u>	<u>\$ 5,948</u>	<u>\$ 5,564</u>	<u>\$ 4,683</u>	<u>\$ 4,542</u>
\$4,167,000	\$3,704,000	\$3,228,000	\$2,852,000	\$2,574,000	\$2,232,000	\$1,689,000
2,259,000	2,039,000	1,753,000	1,527,000	1,375,000	1,197,000	977,000
1,808,000	1,577,000	1,398,000	1,255,000	1,139,000	997,000	662,000
1,610,000	1,410,000	1,251,000	1,112,000	981,000	836,000	583,000
78,000	72,000	64,000	57,000	47,000	44,000	42,000
\$ 2.34	\$ 2.39	\$ 1.86	\$ 1.17	\$ 1.13	\$ 1.08	\$ 1.14
1.15	.93	.59	.53	.52	.46	.43
14.15	13.06	11.66	10.41	9.55	8.94	10.55
34 $\frac{1}{4}$	35	26 $\frac{1}{4}$	20 $\frac{1}{8}$	18 $\frac{1}{2}$	17 $\frac{1}{4}$	11
26 $\frac{1}{2}$	24 $\frac{1}{2}$	19 $\frac{3}{4}$	14 $\frac{1}{4}$	14 $\frac{1}{2}$	9 $\frac{1}{2}$	9
31 $\frac{3}{4}$	34	24 $\frac{1}{2}$	20 $\frac{1}{8}$	16 $\frac{3}{4}$	16 $\frac{3}{4}$	9 $\frac{7}{8}$
13.6	14.2	13.2	17.2	14.8	15.5	8.7
5,521,088	5,521,088	5,521,088	5,521,088	4,911,856	4,911,856	4,000,000
98	98	98	98	98	98	98
4,654	4,617	4,558	4,678	4,763	4,961	3,154
479,900	422,900	458,800	560,400	538,600	711,900	190,450
87	82	81	82	79	78	56
2,105	1,986	1,889	1,868	1,795	1,692	1,266
42	36	23	18	16	14	10
320	245	151	116	100	90	80



ARTHUR H. MINGAY
President and Chief
Executive Officer

J. ALLYN TAYLOR
Chairman of the Board and
of the Executive Committee

MERVYN L. LAHN
Executive Vice-President

DIRECTORATE

During the year there were several changes in Director and Advisory Board personnel. Kenneth G. Murray, President of Schneider Corporation, Kitchener, was elected a Director at the last annual meeting. W.W. Foot, C.A. Martin, G.E. Robertson and G.E.G. Whitaker were not eligible for nomination as Directors at the last annual meeting. All were named Honorary Directors. Each had brought significant strength to the Company.

In 1976 we were saddened by the deaths of F.N. Cabeldu, a member of the Pacific Advisory Board, and H.R. MacMillan, Honorary Chairman of that Board.

With amalgamation of Canada Trust, Lincoln Trust and Ontario Trust on December 31, 1976, the following became Directors of Canada Trust: John Anderson, Niagara Falls and Kenneth A. Fowler, St. Catharines, formerly Directors of Lincoln Trust; Kenneth A. Roberts, Toronto, formerly Chairman of Ontario Trust, and Raymond A. Wheeler, London, England, an Executive Director of Hambros Bank Limited.

ACQUISITIONS

In our 113 year history our stature has been enhanced by a number of mergers with other Canadian financial institutions. In 1976 we acquired two respected and vigorous younger companies, The Lincoln Trust and Savings Company and Ontario Trust Company.

While smaller than Canada Trust and regional in character, both have seen impressive growth since establishment in the 1960's. Lincoln Trust had 10 branches in the Niagara Peninsula with assets under administration in excess of \$215 million. Ontario Trust had 16 branches in Ontario with assets exceeding \$271 million.

The offers met with virtually unanimous acceptance and customers and employees will enjoy the benefits of a larger,

very strong, nationwide organization. We welcome over 1,000 new shareholders of Canada Trustco.

The acquisitions provide additional branch representation in the Niagara Peninsula and Metropolitan Toronto and branches in excellent areas of Ontario where we were not represented. Our system of 123 branches from Vancouver Island to the Maritimes is of great strategic value in an increasingly competitive environment.

Knitting together of the human, financial and physical threads of the three companies is a substantial task which is well underway and will be completed by June 30, 1977. The amalgamation brings advantages in economy from size and the opportunity to develop services on a more profitable scale. Costs attendant upon integration have had adverse effect on consolidated net earnings for 1976 and will have further impact in 1977. Significant earnings advantages should be apparent in 1978 and subsequent years.

BANK ACT

Canadian chartered banks are governed by the Bank Act which is subject to decennial review by the Federal Parliament in 1977. To provide opportunities for the widest possible discussion and presentation of proposals for improving banking legislation, the Federal Government in August, 1976 issued a White Paper which proposes significant legislative changes designed to encourage more competition in Canada's financial system.

It is feared that the proposals will not accomplish their objective of more competition. In fact they could prove to be detrimental to non-bank financial institutions which have played very competitive roles to date.

The White Paper proposes to bring all institutions offering chequing facilities into a new Canadian Payments Association to replace the present clearing system operated by the chartered banks. Members of the Association would

share the same rights and obligations, obtain credit facilities and maintain minimum non-interest bearing reserves with the Bank of Canada. The proposed clearing system is sound in principle but imposition of reserve requirements for trust companies offering chequing facilities introduces a significant cost factor. Such reserve proposals amount to a duplication of requirements under existing trust legislation which provide for ample liquidity. If the Bank Act is amended to provide ultimately that trust companies must maintain non-interest bearing reserves of any kind, offsetting amendments to Federal and Provincial Trust and Loan Acts will be required and must be in place as close as possible to the effective date of the amended Bank Act.

It is considered logical that such institutions should be allowed the option of using the word bank in their corporate name. The difference between chartered banks and trust banks would be clear and distinct, with chartered banks providing full banking services but not fiduciary services and trust banks providing fiduciary services with limited banking services.

The Trust Companies Association of Canada has filed a response to the White Paper on Canadian Banking Legislation with the Minister of Finance and it is expected he will soon introduce a bill setting out the government's desired changes.

BORROWERS AND DEPOSITORS PROTECTION ACT

This proposed Federal Act is designed to provide for the protection of borrowers and depositors, regulate judgment debts and repeal the Interest Act, Pawnbrokers Act and Small Loans Act. The Bill has had second reading and has been referred to the Standing Committee on Health, Welfare and Social Services. It is well-meaning consumer protection legislation which, as now drafted, will unfortunately impose administrative costs upon many and not effectively remedy abuses by a few. It is hoped that prior to becoming law this Act will be substantially amended to provide a more practical approach to accomplish the stated objectives.

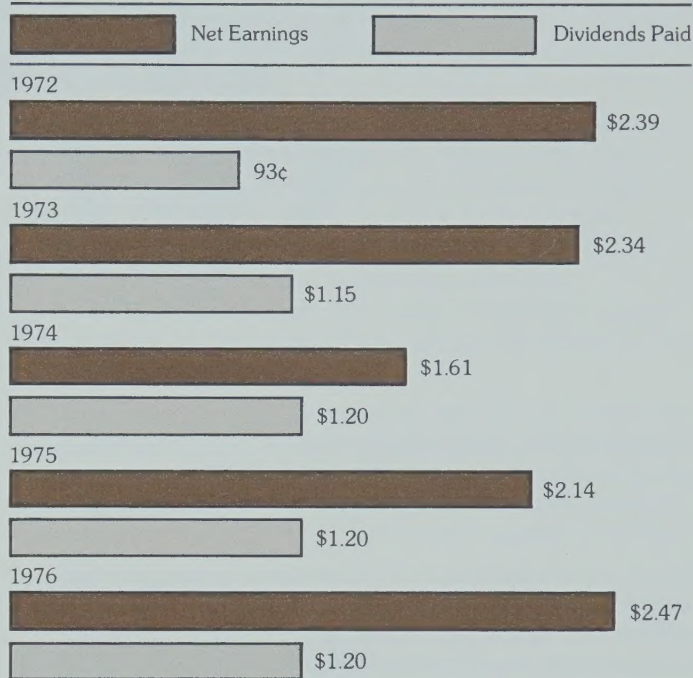
ACKNOWLEDGMENT

On behalf of shareholders, Directors and Advisory Board members, warm thanks are extended to the women and men who comprise the staff of Canada Trust including personnel of Lincoln Trust and Ontario Trust. Only through their loyalties, abilities and experience were the considerable accomplishments of the year under review made possible.

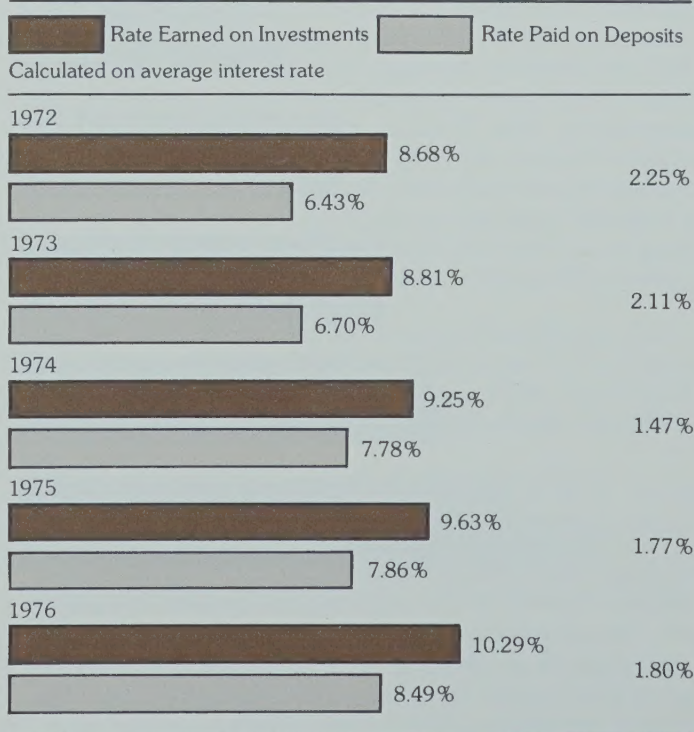
EARNINGS

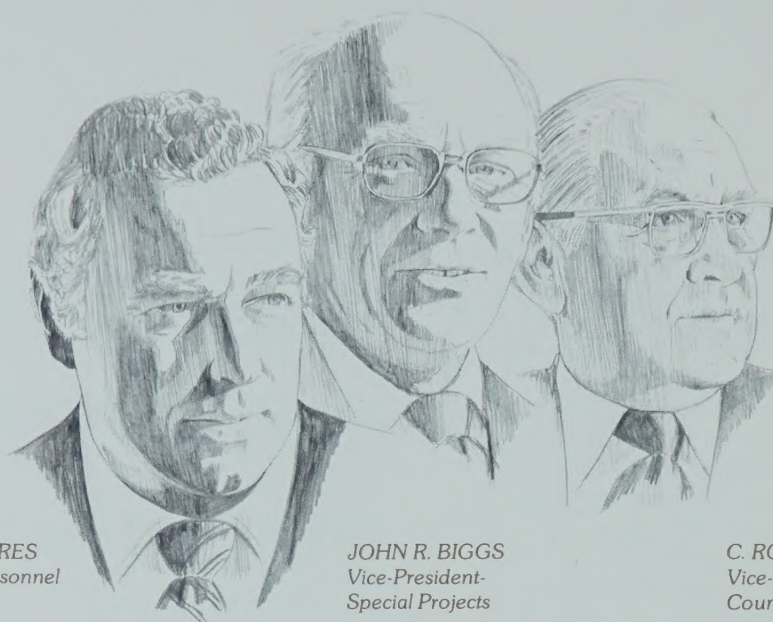
Net earnings for 1976 at \$17.7 million increased 25.7% from \$14.1 million in 1975. After providing for dividends on

Net Earnings - Fully Diluted and Dividends Paid Per Common Share



Interest Rate Spread Taxable Equivalent Basis





JAMES T. LINDORES
Vice-President-Personnel
Services

JOHN R. BIGGS
Vice-President-
Special Projects

C. ROBERT CLARKE
Vice-President-General
Counsel and Secretary

preference shares net earnings were \$2.57 per common share-basic compared with \$2.17 for 1975. Earnings per common share are computed on the weighted average number of shares outstanding.

On a fully diluted basis, which assumes conversion of all outstanding preference shares series B and C to common shares and outstanding warrants to purchase common shares having been exercised, net earnings per common share were \$2.47 compared with \$2.14 in 1975.

A substantial increase in volume of business was primarily responsible for this earnings improvement. The 1976 spread between the average interest rate earned and paid on deposits at 1.80% was little changed from 1.77% in 1975, both on a taxable equivalent basis. This spread was achieved despite the higher average level of interest rates which prevailed in 1976. This accomplishment was due to an improvement in matching of investment and deposit maturities as portrayed in a separate table on page 25. Continued emphasis on matching these maturities should result in an improved and more consistent interest rate spread in the years ahead.

The Consolidated Statement of Earnings includes income, expense and earnings of Lincoln Trust for the six months from July 1, 1976, and Ontario Trust from December 15, 1976, the effective dates of acquisition.

ASSETS UNDER ADMINISTRATION

The increase of \$1,328 million or 24% during 1976 was a record. It is interesting to note that this increase was greater than the amount of assets under administration at December 31, 1964, our 100th anniversary year. Acquired companies contributed \$486 million of this increase while normal growth contributed \$842 million.

At year-end assets under administration were \$6.9 billion compared with \$5.6 billion at December 31, 1975. Corporate assets increased by \$1,076 million to \$3.7 billion while personal, pension and pooled trust funds at \$3.2 billion were up \$252 million. Deposits and loans have increased by \$1 billion and \$800 million respectively in slightly over twelve months.

No further acquisitions being contemplated, the rate of growth will moderate during 1977.

Return on Shareholders' Average Equity - Fully Diluted

1972	19.32%
1973	17.17%
1974	11.19%
1975	13.13%
1976	14.21%

CLIENT SERVICES

Savings Services — The substantial increase in total deposits of \$1,041 million resulted from mergers - \$420 million, and flow of deposits into our branch system - \$621 million. Demand deposits payable after notice were up \$392 million and term deposits increased \$649 million with mergers contributing \$117 million and \$303 million respectively.

Included in deposits at the year-end were the proceeds of a Canada Trustco Mortgage Company \$25 million Canadian

9¼ % debenture issue, due December 1, 1981. The issue was sold in the international capital markets and is listed on the Luxembourg Stock Exchange. The net interest cost to the Company was less than the cost for domestic borrowings of like maturity at the date of issue.

During 1976, our distribution system for financial services was extended from 93 to 123 branches, with the opening of four new branches and acquisition of 26 additional locations through amalgamation.

Planned expansion of our computerized savings system continued with conversion of 18 additional branches, the majority of these in Vancouver and the Niagara Peninsula. This system offers our customers the opportunity to transact their savings needs at any of 84 branches now on-line.

Moneycare was introduced in 1976 to provide a special package of services for persons age 60 and over. Moneycare now represents 6 % of our savings accounts and 16 % of savings dollars. An annual interest-paying feature was added to our Guaranteed Investment Certificates complementing semi-annual, monthly and compound options available.

Income Averaging Contracts have continued to increase in popularity, offering the dual advantages of immediate tax savings and smoothing of eventual tax impact. At year-end, IAC deposits totalled \$55 million - more than double the 1975 figure.

The Blended Payment Certificate, a new product similar to the IAC but without the tax-sheltered benefit, was recently introduced to fill demand for an investment vehicle providing blended principal and interest repayments over terms of up to 20 years.

Investment Funds Services — Registered Retirement Savings Plans continued to experience sound growth in 1976. Over 94,000 people have RRSPs with Canada Trust with a collective investment surpassing \$500 million. This includes approximately 6,000 accounts and \$26 million acquired through merger.

Providing greater flexibility for the consumer, our RRSP product was further improved in 1976 by the creation of two new options - a Savings Section and the choice of Guaranteed Investment Certificates with terms up to ten years. Both the Savings and GIC Sections have proved to be popular, with a combined investment of \$411 million.

Registered Home Ownership Savings Plans experienced modest growth in 1976. Deposits now total \$31 million.

The declining trend of recent years continued for the non tax-sheltered investment fund. This trend reflects public uncertainty toward market conditions as well as increased popularity of tax-sheltered alternatives. Seven thousand participants now have a collective investment of \$35 million in the non tax-sheltered fund.

LOANS AND REAL ESTATE SERVICES

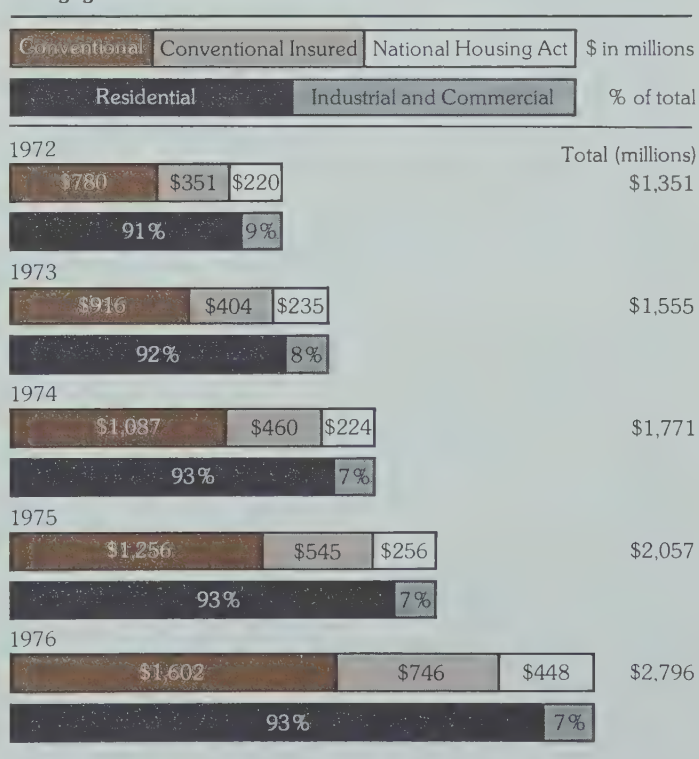
Mortgage Services — Despite high mortgage loan demand in the first half of the year, lesser demand in latter months has contributed to lower overall mortgage acceptances compared to 1975.

Mortgage applications approved during 1976 totalled \$672 million including \$82 million for trust clients. This compared to \$785 million total and \$56 million for trust clients in 1975. More than 93 % of the 1976 volumes assisted financing of construction and ownership of residential properties.

As in 1975, approximately \$40 million of 1976 mortgage applications was directed to Federally and Provincially assisted housing programs.

Industrial and commercial mortgage applications continue to be sought, with 1976 volumes totalling \$45 million, slightly more than in 1975. Strategies have been established to develop greater volumes in this important sector in the next few years.

Mortgage Loans



The corporate mortgage portfolio at year-end was \$2.8 billion, an increase of \$739 million or 36 % during the year. Total mortgages administered now exceed \$3.1 billion in over 100,000 accounts. This includes \$382 million in



DEREK J. WARREN
Senior Vice-President-
Pacific

ARCHIE H. KERR
Vice-President-
Midwestern Ontario

LEONARD W. STOLL
Vice-President-
Prairies

MELVIN M. HAWKRIGG
Senior Vice-President-
Central Ontario

some 9,000 mortgage accounts acquired through the mergers.

Payment arrears remained within acceptable parameters. At year-end 300 accounts or 0.29% were in arrears 90 days or more, compared to 188 accounts or 0.22% at December 31, 1975. Real estate acquired in settlement of loans totalled \$349,000 at year-end compared to \$685,000 at December 31, 1975.

Mortgage borrowers continue to be offered a selection of one to five year terms for both renewal and new mortgage financing. Customer response has resulted in more than 30% of both new loans and renewals arranged with terms less than five years. These shorter term mortgages are making a significant contribution to our continued efforts to improve matching of investment and deposit maturities.

Loans Services — In 1976, 26,000 loans were granted representing volume in excess of \$85 million. Our total loans portfolio increased by \$30 million to \$112 million including \$7 million from merger.

Emphasis is being placed on development of demand loan volumes. At year-end, rate sensitive demand loans comprised 49% of our total loans portfolio, compared to 39% one year ago.

Arrears and losses during the year were at levels comparable with those experienced in the past. Payments in arrears were below 1.2% of total portfolio, well under the industry national average of approximately 3%. Losses were less than 0.12% of total portfolio.

With rates showing signs of easing we are confident consumer buying intentions will be stimulated. Our growing range of credit services will continue to complement consumer credit needs at competitive rates of interest.

Real Estate Services — Although the Prairie Provinces enjoyed a buoyant market in 1976 activity in other parts of the country was generally sluggish.

Buyer resistance to prices, anticipation of declining mortgage rates and uncertainty surrounding the impact of AIB controls were the main factors. Despite the uncertain climate our real estate operation experienced good growth. Commissions earned totalled \$13.1 million, an increase of 18% over 1975.

Planned expansion continued with five new offices being opened during the year. Several others were relocated to improve market penetration and a number were renovated to enhance public awareness. We now offer real estate services from 56 outlets, 28 of which are separate from branch premises. Five offices were closed or consolidated with larger operations during 1976. Our recruitment program successfully attracted new sales people in all Regions. The sales force increased 26% during the year and now totals 578.

Emphasis in 1976 has been placed on reorganization to facilitate central reporting and cost control and lay the foundation for selective expansion and improved profit in future years.

Property management services are offered in nine major centres across Canada. A computerized operating system and a marketing campaign directed to owners of large rental projects and condominiums have helped to establish a base for profitable growth.

Branches and Premises — Four new financial services branches were opened in 1976 - Speedvale-Woolwich Plaza in Guelph, Thorncliffe Shopping Centre in Edmonton, Byron in London and Leamington. Ten new financial services branches are committed for opening in 1977, as part of a strategic plan for branch expansion in selected areas. New real estate offices were opened in London, Victoria, Winnipeg, Edmonton and Calgary.

Property was purchased in the downtown section of Cambridge-Preston and the existing branch property was



LIAM S. O'BRIAN
Vice-President-
Quebec-Atlantic

LEO P. SAUVE
Vice-President-
Hamilton-Niagara

PETER C. MAURICE
Vice-President-
Southwestern Ontario

sold to permit relocation into a new building to be constructed in 1977. Our premises in St. Catharines at King and Queen Streets have been sold, the transaction, substantially in excess of book value, to be completed in April, 1977. The business of this branch will be merged into St. Catharines Main branch at King and James Streets.

PERSONAL TRUST SERVICES

Fees increased to \$8.5 million - 13% over 1975. The book value of assets under administration increased by 10% to over \$1.4 billion.

Concern for rapidly escalating costs in this labour-intensive sector of our business has led to a reassessment of our future direction in Personal Trust. Strategies have been established to emphasize selective growth in areas offering greatest profit potential. Concurrent with this growth will be efficiencies created through gradual consolidation of smaller trust departments and development of improved operating and control systems.

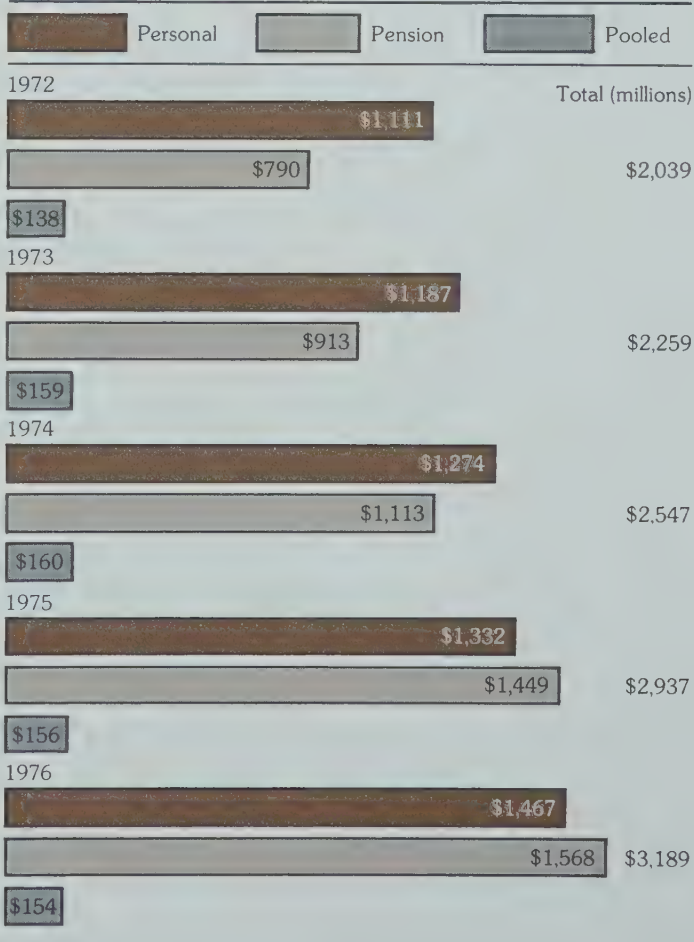
Estate Planning Services — In keeping with our philosophy that wills should be carefully reviewed on a regular basis, in 1976 special attention was placed on updating and validating information on wills on file through an intensive program of client contact. Total inventory now stands at 30,000 wills in which we are appointed executor, representing an estimated total asset value of over \$3 billion.

Tax Return Services — After four years the Personal Income Tax Service has grown to serve 20,000 Canadians, many of whom were first introduced to the Company through this product.

In an attempt to reduce demands this service has placed on branch staff, a test program of satellite offices was undertaken. Although a qualified success, it became apparent that further growth of this product would continue

to require a disproportionate share of the Company's resources. To maintain a high level of client satisfaction and continue to attract new customers, a Tax Service Agency

Personal, Pension and Pooled Trust Funds





JACK H. SPEAKE
Group Vice-President-
Client Services

CHARLES C. PARSONS
Vice-President-
Administrative Services

B. ERIC MINNS
Vice-President-
Savings Services

GWYNE E. WILLIAMS
Vice-President-Loans and
Real Estate Services

ROBERT E. REDGWELL
Vice-President-
Comptroller

Agreement has been negotiated with H & R Block (Canada) Limited. The established leader in this specialized area, they will operate a Canada Trust Tax Service in selected branches during 1977.

PENSION AND CORPORATE SERVICES

Pension Trust Services — Revenue increased by over \$600,000 to \$3.1 million in 1976. More than 100 new accounts were acquired, including a number of pension funds for major corporations and large union groups. Trustee services are now provided for close to 1,000 benefit funds holding assets of approximately \$1.5 billion.

Active marketing of Deferred Profit Sharing Plans commenced in 1976. Designed to provide tax-sheltered retirement savings for employees of smaller corporations, initial sales are meeting our expectations. A comprehensive Employee Record Keeping System has been developed to administer a wide variety of record keeping related to clients' benefit plans.

Corporate Trust Services — Growth in fees continued to be restricted by sluggish trading volume on stock exchanges and the limited number of new equity issues, resulting in only slight improvement over 1975. To maintain the profit contribution of this product in the face of escalating costs effort was focused on improving productivity. While volume of activity was comparable to 1975, it was processed by 18% fewer staff members.

A Dividend Reinvestment Service has been introduced to our shareholders. There is a growing interest in this service by other corporations. In 1977, we intend to expand its features to provide additional flexibility in meeting varying needs of corporations and their shareholders.

DATA PROCESSING

Substantially increased transaction volumes resulting from both the mergers and our increased penetration of selected

markets necessitated a complete reassessment of our strategic plans.

As the first step a decision has been taken to acquire a larger computer which will double our data processing capacity. This plan provides the base for continued expansion of our on-line capabilities and opens the way to development of terminal-based systems for products in addition to savings.

In the longer term, the capability of competing effectively in the sophisticated electronic funds transfer environment as well as the ability to take full advantage of technology permitting increased mechanization of financial services will result.

COMPUTER SERVICES

A policy has been established to guide marketing of our computer systems and services to outside user organizations. With a 12 year history in computerization, we have developed proven systems which can serve a variety of financial service needs. It is evident that a market exists for the profitable sale of software packages and/or computer time and service.

We have completed our first major sale to another mortgage lending institution and are now providing data processing services for their substantial mortgage portfolio using our computerized mortgage system.

Opportunities are being sought to sell our systems and services to other financial service organizations.

ADVERTISING SERVICES

Aggressive and innovative advertising continued in 1976. Campaigns were conducted in support of Registered Retirement Savings Plans, Savings, Tax Returns and Loans. Over one hundred projects were completed in support of various plans.

The emergence of the consumer as a strong force in society is viewed positively. A commitment to research, coupled with systematic development and testing of marketing plans, works to develop products and programs that most effectively meet the needs and desires of the consumer.

Work continues with governments and other regulatory bodies to help frame guidelines and legislation in the consumer advertising area, as well as to execute our programs within the spirit of such measures.

FINANCE

Corporate Investments — As part of a continuing program to match as closely as possible the average term of investments with the average term of deposit maturities, the section of our portfolio invested in money market securities was expanded substantially. In addition to providing liquidity in the event of heavy demands for mortgage funding, the money market operation enables our branch network to be competitive in bidding for large short term deposits.

In the Statement of Condition the asset classification "equipment leased to others" includes aircraft ownership certificates, which first appeared in last year's annual report, as well as 59% ownership in a vessel leased to the Province of British Columbia. Subsequent to issuing our commitment to purchase this interest in the "M.V. Queen of Cowichan" the Federal Budget of May, 1976 contained provisions relating to equipment leasing which make this form of investment much less attractive to taxable investors.

During 1976, including acquisitions, there was a net increase of \$22 million in the preferred stock portfolio. Preferred stocks continue to provide attractive after-tax yields. Issues purchased in 1976 were of excellent quality with substantial asset and dividend coverage along with adequate purchase funds, sinking funds or other features ensuring a return of capital within a reasonable time.

Early in 1976 we purchased a 22% equity interest in Candev Financial Services Ltd. in concert with our policy to seek potentially profitable investments in which we take a substantial interest. Investments in special situations are carefully controlled as to amounts invested relative to risk and to the extent of our management involvement.

Trust Investments — Although the current economic recovery in Canada can be traced back to mid 1975, its progress has been slow and hesitant to a degree not seen in previous post-war recoveries. Responding to this modest rate of economic expansion, both domestic and international, the rate of inflation diminished significantly through 1976. The Bank of Canada adhered to a tight monetary policy through most of the year, maintaining interest rates somewhat above international levels. Major

borrowings in the United States and Europe by both provinces and corporations kept the Canadian dollar at a premium relative to the U.S. dollar until late in the year.

During 1976 major emphasis in pension trust accounts was placed upon extending the average term to maturity of bond portfolios in anticipation of lower interest rates toward year-end. This operation involved additions to the government sector of portfolios due to the relatively narrow spreads between such issues and corporate issues. The asset distribution in most pension accounts was maintained at approximately 50 to 55% in fixed income investments, including mortgages, with the balance in equities.

Considerable progress was achieved in the setting of investment objectives for pension and personal trust portfolios. It is our firm belief that when realistic objectives are developed and understood by clients and money managers working together results can be more easily measured and understood.

Continuing growth in asset values and number of investment portfolios necessitated addition of experienced money management personnel to the Investment Division. In particular the fixed income and the economics areas of the Division were strengthened to provide improved service to all investment management clients.

PERSONNEL SERVICES

During 1976, major emphasis was placed on adapting policies, procedures and programs to effectively utilize the new computerized personnel system introduced early in the year. The instant availability of expanded data on all employees greatly enhances the refinement of personnel planning, recruitment and staff development programs to provide the level of skilled human resources to meet the challenges of the future.

Continued active support was given to the Educational Institute of the Trust Companies Association. Fourteen employees contributed their time and expertise to the formation of educational programs dedicated to increasing the degree of professional service offered by the industry. One hundred and sixty-five employees have been accredited at the Associate, Member and Fellow designations.

In 1976, the Company compensation programs received formal exemption from the Anti-Inflation Board regulations. Utilization of the computerized personnel system has enabled the Company to enter 1977 ensuring that all AIB regulations will be met, our competitive salary position is maintained and our salary administration system will continue to provide incentive for meritorious performance.



W. JAMES BLOWERS
Vice-President-Investments

HERBERT N. SEATH
Senior Vice-President-
Finance

E. DONALD L. MILLER
Vice-President-Treasurer

The introduction of a payroll deduction plan for employee stock purchase provides staff members the opportunity to accumulate common shares of the Company.

PLANNING

The rapid rate of change and increased complexity of our business environment makes proper use of flexible, decision-oriented planning systems essential to all aspects of operations. The participation of all levels of management in the planning process has been increased to create relevant, action-oriented plans and to direct commitment to achievement of short and long range goals.

ORGANIZATION

Continued evolution in organizational structure was necessitated both by normal growth and acquisitions. Senior management appointments announced during the year were:

Jack H. Speake, Group Vice-President - Client Services
Herbert N. Seath, Senior Vice-President - Finance
Leo P. Sauve, Vice-President - Hamilton-Niagara Region
Peter C. Maurice, Vice-President - Southwestern Ontario Region (effective February 1, 1977)
W. James Blowers, Vice-President - Investments
E. Donald L. Miller, Vice-President - Treasurer
Robert E. Redgwell, Vice-President - Comptroller
On June 30, 1977, John R. Biggs, who has been Vice-President - Southwestern Ontario Region, will retire after 38 years' distinguished service.

Appointed as Assistant Vice-Presidents were:

Donald W. Ambrose - Planning
G. Douglas Peaker - Real Estate Sales
A. James Scafe - London Main Branch

Eric G. Smith - Hamilton-Niagara Region
William C. Thornhill - Investment Funds Services

A seventh region, Hamilton-Niagara, was created consequent to acquisition of Lincoln Trust. Comprised of 20 branches - 10 former Lincoln Trust and 10 Canada Trust branches - the region is headed by Leo P. Sauve, former President of Lincoln Trust. Significant growth in business and earnings from this vibrant area is anticipated.

Fifteen of the 16 Ontario Trust branches become an integral part of the Central Ontario Region, headquartered in Toronto, bringing its number of branches to 35. The Ontario Trust Windsor branch becomes part of Southwestern Ontario Region now comprised of 22 branches.

THE YEAR AHEAD

Consensus prevails that real growth in the Canadian economy will continue weak in 1977 and below the five per cent rate usually considered the potential. It is improbable, however, that the economy will slide back into recession. In such a projected business environment mildly expansionary monetary and fiscal policies seem appropriate in Canada.

The recent trend toward lower interest rates will likely continue for some months. While this augurs well for an earnings increase for the Company, any optimism is tempered by AIB considerations.

Our operating margins as illustrated in the five year financial analysis on page 25 have been at historic lows in the last three years. Consequently, modest earnings gain is allowable under the AIB five year average formula. Competition will undoubtedly be intense but given our solid base of operations and the many abilities of our personnel, 1977 promises to be a year of worthwhile improvement in earnings and financial strength.

London, Ontario, January 25, 1977

CANADA TRUSTCO MORTGAGE COMPANY
CONSOLIDATED STATEMENT OF EARNINGS, year ended December 31

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	1976	1975	% Increase (Decrease)
Income			
Investment			
Cashable term deposits	\$ 16,036,000	\$ 11,150,000	44
Bonds	21,145,000	12,745,000	66
Stocks	6,872,000	4,451,000	54
Mortgages	232,951,000	180,642,000	29
Consumer and personal loans	9,449,000	6,356,000	49
Trust advances and other secured loans	5,099,000	3,770,000	35
Equipment leased to others	1,172,000	870,000	35
	<u>292,724,000</u>	<u>219,984,000</u>	33
Fees and commissions			
Personal trust	8,475,000	7,532,000	13
Pension and pooled trust funds	4,496,000	5,659,000	(21)
Corporate trust	1,802,000	1,743,000	3
Real estate sales	13,094,000	11,070,000	18
	<u>27,867,000</u>	<u>26,004,000</u>	7
Other	<u>5,976,000</u>	<u>5,102,000</u>	17
	<u>326,567,000</u>	<u>251,090,000</u>	30
Expense			
Interest on deposits			
Chequable	5,328,000	3,741,000	42
Savings	52,347,000	29,638,000	77
Cashable term	11,775,000	4,919,000	139
Term	166,895,000	136,707,000	22
	<u>236,345,000</u>	<u>175,005,000</u>	35
Salaries	28,635,000	24,167,000	18
Pension and other employee benefits <i>note 10</i>	3,241,000	2,529,000	28
Real estate commissions	8,910,000	7,666,000	16
Net occupancy and equipment <i>note 6</i>	8,754,000	6,936,000	26
Advertising	3,336,000	2,448,000	36
Other	11,134,000	8,900,000	25
	<u>300,355,000</u>	<u>227,651,000</u>	32
Earnings before income taxes	<u>26,212,000</u>	<u>23,439,000</u>	12
Income taxes			
Current	3,106,000	4,714,000	(34)
Future	5,403,000	4,646,000	16
	<u>8,509,000</u>	<u>9,360,000</u>	(9)
Net earnings	<u>\$ 17,703,000</u>	<u>\$ 14,079,000</u>	26
Attributed to			
Preference shares series A	\$ 625,000	\$ 708,000	(12)
Preference shares series B	2,175,000	1,404,000	55
Common shares	14,903,000	11,967,000	25
	<u>\$ 17,703,000</u>	<u>\$ 14,079,000</u>	26
Net earnings per common share - basic	\$ 2.57	\$ 2.17	18
Net earnings per common share - fully diluted	\$ 2.47	\$ 2.14	15

CONSOLIDATED STATEMENT OF CONDITION, December 31

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	1976	1975	% Increase (Decrease)
ASSETS			
Investments			
Cash	\$ 44,122,000	\$ 15,692,000	181
Cashable term deposits	183,840,000	137,443,000	34
	<u>227,962,000</u>	<u>153,135,000</u>	49
Securities <i>note 4</i>			
Bonds			
Canada	133,578,000	113,398,000	18
Provincial	16,039,000	11,419,000	40
Municipal	2,926,000	1,898,000	54
Corporation	178,272,000	66,895,000	166
	<u>330,815,000</u>	<u>193,610,000</u>	71
Stocks			
Preferred	73,311,000	51,484,000	42
Common	36,361,000	32,569,000	12
	<u>109,672,000</u>	<u>84,053,000</u>	30
	<u>440,487,000</u>	<u>277,663,000</u>	59
Loans			
Mortgages			
Conventional	1,601,782,000	1,256,205,000	28
Conventional insured	746,060,000	544,932,000	37
National Housing Act	448,414,000	255,801,000	75
	<u>2,796,256,000</u>	<u>2,056,938,000</u>	36
Consumer and personal	85,785,000	56,088,000	53
Trust advances and other secured	91,849,000	38,436,000	139
	<u>2,973,890,000</u>	<u>2,151,462,000</u>	38
Real estate acquired in settlement of loans	349,000	685,000	(49)
Equipment leased to others	24,577,000	14,958,000	64
Total investments	<u>3,667,265,000</u>	<u>2,597,903,000</u>	41
Income taxes recoverable	252,000		
Land, premises and equipment <i>note 6</i>	<u>34,004,000</u>	<u>28,398,000</u>	20
	<u>\$3,701,521,000</u>	<u>\$2,626,301,000</u>	41

Approved on behalf of the Board

J. ALLYN TAYLOR, Director

ARTHUR H. MINGAY, Director

	1976	1975	% Increase (Decrease)
LIABILITIES			
Deposits <i>note 9</i>			
Chequable	\$ 265,607,000	\$ 208,584,000	27
Savings	794,861,000	460,387,000	73
Cashable term	183,989,000	81,061,000	127
Term	<u>2,279,291,000</u>	<u>1,733,153,000</u>	32
	<u>3,523,748,000</u>	<u>2,483,185,000</u>	42
Current income taxes		1,025,000	(100)
Mortgages	2,809,000	1,159,000	142
Dividends	<u>2,330,000</u>	<u>2,200,000</u>	6
	<u>5,139,000</u>	<u>4,384,000</u>	17
Future income taxes <i>note 7</i>	25,187,000	17,956,000	40
	<u>3,554,074,000</u>	<u>2,505,525,000</u>	42
SHAREHOLDERS' EQUITY			
Capital stock <i>note 3</i>			
Preference shares	37,629,000	37,606,000	
Common shares	<u>13,977,000</u>	<u>11,042,000</u>	27
	51,606,000	48,648,000	6
Contributed surplus	51,676,000	23,880,000	116
Retained earnings	<u>44,165,000</u>	<u>48,248,000</u>	(8)
	<u>147,447,000</u>	<u>120,776,000</u>	22
	<u>\$3,701,521,000</u>	<u>\$2,626,301,000</u>	41

CONSOLIDATED STATEMENT OF RETAINED EARNINGS, year ended December 31

18

	1976	1975
Balance at beginning of year	\$48,248,000	\$45,338,000
Net earnings	<u>17,703,000</u>	<u>14,079,000</u>
	<u>65,951,000</u>	<u>59,417,000</u>
Dividends on		
Preference shares series A	629,000	711,000
Preference shares series B	2,175,000	1,404,000
Common shares Class A	6,702,000	6,625,000
Common shares Class B	<u>169,000</u>	
	<u>9,675,000</u>	<u>8,740,000</u>
Transfer to allowance for investment losses		1,561,000
Tax paid on 1971 undistributed income	32,000	
Acquisition of The Lincoln Trust and Savings Company and Ontario Trust Company		
Excess of consideration over underlying value of net assets acquired <i>note 2</i>	11,999,000	
Expenses, net of income taxes, incurred on issue of shares	80,000	
Expenses, net of income taxes, incurred on issue of preference shares series B		868,000
	<u>21,786,000</u>	<u>11,169,000</u>
Balance at end of year	<u>\$44,165,000</u>	<u>\$48,248,000</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS, year ended December 31

	1976	1975
Balance at beginning of year	\$23,880,000	\$23,880,000
Premium on issue of shares	<u>27,796,000</u>	
Balance at end of year	<u>\$51,676,000</u>	<u>\$23,880,000</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL CONDITION,
year ended December 31

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	1976	1975
CASH DERIVED FROM		
Increase (decrease) in deposits		
Chequable and savings	\$274,347,000	\$122,478,000
Cashable term	92,468,000	(65,495,000)
Term	253,917,000	315,372,000
	<u>620,732,000</u>	<u>372,355,000</u>
Operations		
Net earnings	17,703,000	14,079,000
Future income taxes	5,403,000	4,646,000
Depreciation	1,796,000	1,482,000
Provision for investment losses	1,017,000	539,000
	<u>25,919,000</u>	<u>20,746,000</u>
Increase (decrease) in capital stock		
Issue of preference shares series B		30,000,000
Expenses, net of current income taxes on issue of shares		(1,105,000)
Purchase for cancellation of preference shares series A	(1,106,000)	(894,000)
	<u>(1,106,000)</u>	<u>28,001,000</u>
Other		
Cash of The Lincoln Trust and Savings Company and Ontario Trust Company at acquisition	3,229,000	
	<u>648,774,000</u>	<u>421,102,000</u>
CASH APPLIED TO		
Increase (decrease) in investments		
Cashable term deposits	40,826,000	31,165,000
Bonds	110,084,000	55,983,000
Stocks	11,857,000	36,228,000
Mortgages	356,700,000	287,438,000
Consumer and personal loans	23,401,000	15,058,000
Trust advances and other secured loans	51,611,000	(17,869,000)
Equipment leased to others	9,619,000	5,913,000
	<u>604,098,000</u>	<u>413,916,000</u>
Dividends paid on		
Preference shares	2,804,000	1,571,000
Common shares including tax paid for Class B dividends	6,773,000	6,625,000
	<u>9,577,000</u>	<u>8,196,000</u>
Other		
Additions to premises and equipment	2,377,000	2,725,000
Acquisition of shares of The Lincoln Trust and Savings Company and Ontario Trust Company <i>note 2</i>	2,393,000	
Expenses, net of current income taxes on acquisition	80,000	
Other, including gains and losses on investments, net of current income taxes	1,819,000	(32,000)
	<u>6,669,000</u>	<u>2,693,000</u>
	<u>620,344,000</u>	<u>424,805,000</u>
INCREASE (DECREASE) IN CASH	<u>\$ 28,430,000</u>	<u>\$ (3,703,000)</u>

1. Summary of Significant Accounting Policies

(a) Consolidation

In 1975, the financial statements included the accounts of Canada Trustco Mortgage Company and its subsidiary companies, The Canada Trust Company, Truscan Realty Limited and Truscan Realty (Kitchener) Ltd. In 1976, the accounts of The Lincoln Trust and Savings Company and Ontario Trust Company are also included from their effective dates of acquisition (see note 2). Truscan Realty (Kitchener) Ltd. was wound up in 1976 and its assets were distributed to The Canada Trust Company.

(b) Investments

Investments, reduced by an allowance for investment losses where applicable, (see note 5), and investment income are stated as follows:

(i) Securities

Bonds are stated at amortized cost plus accrued interest and stocks are stated at cost plus accrued dividends.

(ii) Loans

Mortgages are stated at cost, which includes amounts advanced, interest capitalized and accrued, taxes and other charges, less repayments and unamortized prepayments of mortgage interest. Interest income is accrued on a daily basis, except for any prepayments of mortgage interest which are amortized over the remaining term of the loan using the sum-of-digits method.

Consumer and personal loans are stated at cost which includes amounts advanced and accrued interest on a daily basis, less repayments.

(iii) Equipment leased to others, representing the companies' share of ownership of aircraft leased to Air Canada and a ferry leased to the Province of British Columbia, is stated at amortized cost plus accrued interest from the last payment date.

The companies record an allowance for investment losses which is deducted from the applicable investment on the consolidated statement of condition. This allowance recognizes the historical trend of investment losses and existing economic conditions. Provision for investment losses is included in other expense and is based on both the historical five year (including the current year) moving average ratio of losses to average investments and other factors which in management's judgement deserve recognition. Net gains or losses realized on investments are recorded in this allowance.

(c) Land, Premises and Equipment

Land is stated at cost and premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of each asset at annual rates of 2½% on buildings and not less than 10% on leasehold improvements and equipment.

(d) Income Taxes

The companies recognize certain items of income and expense in time periods different for financial reporting than for income tax purposes. Full provision for income taxes is made in the consolidated statement of earnings using the tax allocation method, whereby

income taxes related to the following significant timing differences are included in future income taxes:

- (i) claiming capital cost allowances in excess of depreciation recorded in the accounts.
- (ii) claiming an allowance on bonds held in guaranteed account and for losses on loans of the companies in excess of the allowance for investment losses recorded in the accounts.
- (iii) recording prepayment of mortgage interest in the year of maturity of the applicable mortgage loans as opposed to the amortized amount of prepayment reported in income.
- (iv) claiming the cost of issue of Eurodollar debentures in excess of amounts amortized in the accounts.

(e) Personal Trust Services

Fees and commissions from personal trust services are recorded as income when received.

(f) Pension Plan

The companies have a contributory pension plan which is available to substantially all employees after six months continuous service. Unfunded liabilities including experience deficiencies, as determined by actuarial valuation, are funded by annual payments which are charged to operations over periods recommended by the actuaries. The cost of funding current service pension benefits is expensed as incurred.

(g) Net Earnings per Common Share

Net earnings per common share-basic are calculated using the weighted average number of common shares outstanding, and the net earnings attributable to common shares.

Net earnings per common share - fully diluted are calculated on the assumption that all preference shares series B outstanding at the end of the year were converted to common shares at the beginning of the year and all preference shares series C outstanding were converted into common shares as from date of issue December 15, 1976 and the amount of net earnings attributable to these preference shares is included in the amount available to common shares. Warrants, if exercised, would have no material effect on earnings per common share - fully diluted.

2. Acquisition and Amalgamation of Subsidiary Companies

Effective June 30, 1976, The Canada Trust Company acquired substantially all of the issued and outstanding common and preference shares of The Lincoln Trust and Savings Company. Effective December 15, 1976, Canada Trustco Mortgage Company acquired substantially all of the issued and outstanding common shares of Ontario Trust Company. The Canada Trust Company, The Lincoln Trust and Savings Company and Ontario Trust Company amalgamated on the close of business December 31, 1976 and continue as The Canada Trust Company.

The accounting for these acquisitions has been on the purchase method with the results of operations included in these financial statements from the respective dates of acquisition.

The acquisition equations were as follows:

	Lincoln Trust	Ontario Trust	Total
	(in thousands of dollars)		
Net assets acquired at assigned values			
Assets	\$184,734	\$264,194	\$448,928
Liabilities	177,077	249,597	426,674
	<u>7,657</u>	<u>14,597</u>	<u>22,254</u>
Excess of share cost over assigned values of net assets acquired (goodwill)	5,309	6,690	11,999
	<u>\$ 12,966</u>	<u>\$ 21,287</u>	<u>\$ 34,253</u>
Consideration			
Cash	\$ 2,390	\$ 3	\$ 2,393
Issue of common shares			
459,795 at \$23	10,576		10,576
1,007,755 at \$20		20,155	20,155
Issue of preference shares series C			
56,437 at \$20		1,129	1,129
	<u>\$ 12,966</u>	<u>\$ 21,287</u>	<u>\$ 34,253</u>

The goodwill arising on these acquisitions of \$11,999,000 has been charged against retained earnings. Although this treatment of goodwill is not in accordance with generally accepted accounting principles it is consistent with the company's practice in prior years and with that required for submission to regulatory authorities, and is considered by the company to be preferable since it reflects a more conservative valuation of assets.

At date of acquisition of Lincoln Trust, management recognized the need for an additional provision of \$1,163,000 for mortgage losses. An amount of \$614,000, net of income taxes, has been reflected in net assets acquired and has been applied to pre-acquisition earnings.

3. Capital Stock

(a) Authorized, issued and fully paid

	Number of Shares		Amount (in thousands of dollars)	
	1976	1975	1976	1975
Cumulative redeemable preference shares, of \$20 par value each, issuable in series				
Authorized	<u>4,900,000</u>	<u>4,955,280</u>		
Issued and fully paid				
Series A - 8¾%	325,000	380,280	\$ 6,500	\$ 7,606
Series B - 7¼% convertible	1,500,000	1,500,000	30,000	30,000
Series C - 7¾% convertible	56,437		1,129	
	<u>1,881,437</u>	<u>1,880,280</u>	<u>\$37,629</u>	<u>\$37,606</u>
Interconvertible common shares of \$2 par value each				
Authorized	<u>20,000,000</u>	<u>20,000,000</u>		
Issued and fully paid				
Class A	6,800,576	5,521,088	\$13,601	\$11,042
Class B	188,087		376	
	<u>6,988,663</u>	<u>5,521,088</u>	<u>\$13,977</u>	<u>\$11,042</u>

(b) Terms of issue

(i) Preference shares

Each series of preference shares outstanding is subject to separate terms and conditions respecting redemption and purchase for cancellation, both of which require the prior consent of the Superintendent of Insurance (Canada). These terms and conditions and conversion privileges, if any, are summarized as follows:

Redemption

Series A	If redeemed in the three years ended September 15	Redemption price
	1982	\$21.40
	1985	21.20
	1988	21.00
	1991	20.80
	1994	20.60
	thereafter	20.40

Series B

June 1, 1978 at \$21.015 reducing annually by \$.145 to \$20.00 at June 1, 1985 and thereafter.

Series C

December 15, 1979 at \$21.05 reducing annually by \$.15 to \$20.00 at December 15, 1986 and thereafter.

Redemptions are applicable if the average market value of common shares exceeds \$33.75 between May 31, 1978 and June 1, 1980 in the case of series B, and \$31.25 between December 16, 1979 and December 15, 1981 and \$34.375 thereafter until December 16, 1986 in the case of series C. The total redemption price will include dividends accrued to the date of redemption.

Conversion

Series B

The preference shares series B are convertible into common shares at the option of the holder at a conversion price of \$27.00 per common share at any time on or prior to May 31, 1985, or at any time prior to ten days prior to the date specified for redemption of such shares, whichever is earlier.

Series C

The preference shares series C are convertible into common shares at the option of the holder at a conversion price of \$25.00 per common share at any time on or prior to December 15, 1981 and thereafter to December 15, 1986 at \$27.50 per common share or at any time prior to ten days prior to the date specified for redemption of such shares, whichever is earlier.

Purchase for cancellation

Series A

The company, annually during the years 1977 to 1984, is obligated to offer to purchase for cancellation at a price equal to par value plus accrued dividends, the lesser of 50,000 preference shares series A or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior

year. Thereafter this obligation is reduced to the lesser of 5% of the number of preference shares series A outstanding at the beginning of the year or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year.

Series B

A purchase fund shall be established in 1981 and subsequent years. The amount thereof will not exceed \$900,000 in 1981 and \$1,800,000 in subsequent years, which funds may be applied by the company to purchase for cancellation in the open market preference shares series B at a price not exceeding the par value thereof plus the costs of purchase.

Series C

A purchase fund shall be established in 1982 and subsequent years. The amount thereof will not exceed \$34,000 in 1982 and \$68,000 in subsequent years, which funds may be applied by the company to purchase for cancellation in the open market preference shares series C at a price not exceeding the par value thereof plus the costs of purchase.

(ii) Common shares

As Class A and Class B common shares are freely convertible one into the other at any time at the option of the holder, the maximum number of common shares that may be issued is 20,000,000 shares, of which 1,196,596 shares have been reserved for conversion rights attached to preference shares series B and C and for warrants exercisable to common shares. Class A and Class B common shares rank equally in all respects except as to dividends. Dividends paid on Class A common shares are taxable dividends for purposes of the Income Tax Act. On Class B common shares, dividends may be paid out of 1971 tax-paid undistributed surplus on hand as defined in the Income Tax Act. Such dividends are free of immediate income tax in the hands of the recipients, but reduce the adjusted cost base of the applicable shares. Dividends so declared equal, per share, 85% of the dividends per Class A common shares, reflecting the 15% tax paid by the company necessary to create tax-paid undistributed surplus on hand.

As at December 31, 1976, the company had approximately \$26,300,000 of retained earnings which will be available for future payment of dividends out of tax-paid undistributed surplus on hand after payment of a 15% tax by the company.

(c) Changes in capitalization

During 1976, the company purchased for cancellation 55,280 preference shares series A (1975 - 44,720 shares) to meet the current purchase fund requirements attached to the series.

Pursuant to the acquisition of The Lincoln Trust and Savings Company and Ontario Trust Company during 1976, as described in note 2, the company issued 459,795 Class A common shares at \$23.00, 1,007,755 Class A common shares at \$20.00 and 56,437 preference shares series C at \$20.00.

During the year 188,087 Class A convertible common shares were exchanged for 188,087 Class B convertible common shares.

(d) Warrants

On October 4, 1976, 40,360 common share purchase warrants of The Lincoln Trust and Savings Company were converted to Class A convertible common share purchase warrants of the company and 25 of these warrants were subsequently exercised at \$19.00. At December 31, 1976, warrants were outstanding to purchase 40,335 Class A convertible common shares exercisable at \$19.00 per share on or before December 15, 1978, and at \$21.26 per share until December 15, 1983.

4. Securities

	1976		1975	
	Stated value	Market value	Stated value	Market value
	(in thousands of dollars)			
Bonds				
Canada	\$133,578	\$135,445	\$113,398	\$111,617
Provincial	16,039	14,511	11,419	9,945
Municipal	2,926	2,630	1,898	1,761
Corporation	178,272	178,119	66,895	65,231
	<u>330,815</u>	<u>330,705</u>	<u>193,610</u>	<u>188,554</u>
Stocks				
Preferred	73,311	76,024	51,484	50,400
Common	36,361	46,367	32,569	41,896
	<u>109,672</u>	<u>122,391</u>	<u>84,053</u>	<u>92,296</u>
	<u>\$440,487</u>	<u>\$453,096</u>	<u>\$277,663</u>	<u>\$280,850</u>

5. Allowance for Investment Losses

	1976	1975
	(in thousands of dollars)	
Balance at beginning of year	\$ 3,591	\$
Initial provision		3,122
Provision charged to other expense	1,017	539
Investment gains (losses)		
Securities, net of income taxes	(192)	18
Loans, net of recoveries	(639)	(88)
Balance at end of year	<u>\$ 3,777</u>	<u>\$ 3,591</u>

6. Land, Premises and Equipment

(a) Cost and net depreciated values:

	1976		1975	
	Cost	Accumulated depreciation	Net	Net
	(in thousands of dollars)			
Land	\$ 5,716	\$	\$ 5,716	\$ 4,650
Land held for development	1,199		1,199	1,150
Buildings	29,596	9,684	19,912	16,335
Leasehold improvements	4,316	1,482	2,834	2,604
Equipment	11,718	7,471	4,247	3,569
Automobiles	150	54	96	90
	<u>\$52,695</u>	<u>\$18,691</u>	<u>\$34,004</u>	<u>\$28,398</u>

(b) Net occupancy and equipment expense:

	1976	1975
	(in thousands of dollars)	
Occupancy		
Rent	\$ 2,619	\$ 2,390
Maintenance	4,653	3,749
Depreciation	1,010	797
	8,282	6,936
Rental income	2,712	2,314
	5,570	4,622
Equipment		
Rent	2,095	1,375
Maintenance	303	254
Depreciation	786	685
	3,184	2,314
	\$ 8,754	\$ 6,936

(c) The aggregate minimum rentals payable under premises and equipment leases in effect at December 31, 1976 are as follows for each of the periods shown:

	Premises	Equipment	Total
	(in thousands of dollars)		
1977 - 1981	\$14,724	\$ 816	\$15,540
1982 - 1986	11,450		11,450
1987 - 1991	7,635		7,635
thereafter	7,389		7,389

7. Future Income Taxes

Future income taxes relate to timing differences referred to in Note 1(d) and at December 31 are as follows:

	1976	1975
	(in thousands of dollars)	
Taxes applicable to:		
Special reserve allowed under Section 33 of the Income Tax Act (Canada)	\$17,814	\$14,141
Allowance for investment losses	(1,953)	(1,788)
Excess of capital cost allowances over amounts provided in the accounts	8,078	5,169
Other items - net	1,248	434
	\$25,187	\$17,956

8. Mortgage Commitments

Outstanding commitments for future advances on mortgages are \$318,962,000 at December 31, 1976 and were \$269,978,000 at December 31, 1975.

9. Deposits

Consolidated net assets held to secure guaranteed trust deposits of the companies are \$2,126,434,000 at December 31, 1976 and were \$1,352,331,000 at December 31, 1975.

Chequable, savings and cashable term deposits are payable after notice.

10. Pension Plan

The latest actuarial valuation of the plan as at June 30, 1975 indicated an unfunded liability of \$1,198,000 and an experience deficiency of \$2,405,000 and by subsequent amendments an additional unfunded liability of \$507,000. These liabilities arise from the merging of pension plans of companies acquired, improvements in pension benefits of retired employees and increased costs occasioned by increased entitlements and higher salary levels than expected for active participating employees. On the actuaries' recommendation these liabilities are being funded by annual payments as follows:

	Annual payment
	(in thousands of dollars)
1977	\$ 740
1978 - 1980	689
1981 - 1989	163
1990	49

11. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable to directors and senior officers of the companies was \$1,347,000 for 1976 and was \$1,048,000 for 1975.

12. Anti-Inflation Act

The companies are subject to the Anti-Inflation Act, which provides as from October 14, 1975, for restraint on profit margins, compensation to employees and dividends to shareholders. Dividends from October 14, 1976 may not be increased by more than 8% per annum.

13. Change of Corporate Name

Effective April 14, 1976, the name of the company was changed from The Huron and Erie Mortgage Corporation to Canada Trustco Mortgage Company.

TO THE SHAREHOLDERS OF
CANADA TRUSTCO MORTGAGE COMPANY

We have examined the consolidated statement of condition of Canada Trustco Mortgage Company as at December 31, 1976 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial condition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial condition of the company as at December 31, 1976 and the results of its operations, the changes in its financial condition, contributed surplus and, except for the practice, consistent with that of prior years, of charging to retained earnings of all the goodwill on acquisition of subsidiary companies referred to in note 2, the changes in its retained earnings for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 25, 1977
London, Ontario

Thorne Riddell & Co.
Chartered Accountants

QUARTERLY ANALYSIS OF NET EARNINGS

(in thousands of dollars except interest rate spread and earnings per share)

	Quarter	Interest rate spread taxable equivalent basis	Investment income less interest on deposits	Fees and commissions	Non interest expenses	Net earnings	Net earnings per common share - fully diluted
1972	1st	2.13%	\$ 8,444	\$ 4,287	\$ 7,071	\$ 3,222	\$.58
	2nd	2.13	8,688	3,482	7,215	2,869	.52
	3rd	2.09	8,850	3,505	7,496	2,918	.53
	4th	2.64	11,035	3,218	7,501	4,173	.76
	Total	2.25	37,017	14,492	29,283	13,182	2.39
1973	1st	2.14	9,733	4,920	8,490	3,405	.62
	2nd	2.37	10,654	3,687	8,627	3,100	.56
	3rd	1.69	8,545	4,835	8,739	2,970	.54
	4th	2.22	10,806	4,305	9,153	3,427	.62
	Total	2.11	39,738	17,747	35,009	12,902	2.34
1974	1st	1.63	9,004	5,863	10,029	2,891	.52
	2nd	1.54	8,531	5,183	10,855	2,035	.37
	3rd	1.35	7,737	5,429	10,702	1,996	.36
	4th	1.40	8,036	4,782	10,973	2,107	.36
	Total	1.47	33,308	21,257	42,559	9,029	1.61
1975	1st	1.48	8,762	6,121	11,731	2,391	.40
	2nd	1.93	11,851	6,179	12,914	3,680	.57
	3rd	1.76	11,885	6,971	13,436	3,750	.55
	4th	1.90	12,481	6,733	14,565	4,258	.62
	Total	1.77	44,979	26,004	52,646	14,079	2.14
1976	1st	1.74	12,854	7,451	15,030	4,112	.60
	2nd	1.85	13,330	6,344	15,379	4,103	.59
	3rd	1.68	14,120	7,377	16,494	4,197	.57
	4th	1.93	16,075	6,695	17,107	5,291	.71
	Total	1.80	56,379	27,867	64,010	17,703	2.47

FIVE YEAR FINANCIAL ANALYSIS, year ended December 31

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	1976	1975	1974	1973	1972
INCOME					
Income					
Investment	89.6%	87.6%	87.5%	88.0%	88.6%
Fees and commissions	8.6	10.4	10.3	10.4	9.9
Other	1.8	2.0	2.2	1.6	1.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Expense					
Interest on deposits	72.4	69.7	71.5	64.7	63.4
Salaries, employee benefits and commissions	12.5	13.7	13.4	12.9	12.0
Other	7.1	7.3	7.1	7.7	8.0
	<u>92.0</u>	<u>90.7</u>	<u>92.0</u>	<u>85.3</u>	<u>83.4</u>
Earnings before income taxes	8.0	9.3	8.0	14.7	16.6
Income taxes	2.6	3.7	3.7	7.1	7.6
Net earnings	<u>5.4%</u>	<u>5.6%</u>	<u>4.3%</u>	<u>7.6%</u>	<u>9.0%</u>
NET EARNINGS					
To average					
Assets	.60%	.58%	.44%	.72%	.84%
Convertible preference and common shareholders' equity	14.21%	13.13%	11.19%	17.17%	19.32%
Per full-time employee	\$8,025	\$6,328	\$4,169	\$6,308	\$6,786
SHAREHOLDERS' EQUITY TO LOANS (at year-end)	4.96%	5.61%	4.75%	4.85%	5.11%
LOANS TO DEPOSITS (at year-end)	84.40%	86.63%	88.49%	89.05%	89.41%
DEPOSIT MULTIPLE (at year-end)	19.90x	18.05x	19.32x	19.62x	19.54x

MATURITIES (in thousands)

Investments

Maturity dates	Cash and cashable term deposits	Securities (1)	Mortgages (2)	Other loans and investments	December 31, 1976		December 31, 1975	
					Total	%	Total	%
On demand and within one year	\$225,089	\$155,700	\$ 652,782	\$122,765	\$1,156,336	31.5	\$ 706,152	27.2
1 - 2 years		36,920	572,454	21,044	630,418	17.2	422,970	16.3
2 - 3 years		52,926	580,859	14,423	648,208	17.7	465,687	17.9
3 - 4 years		35,409	465,902	8,180	509,491	13.9	413,694	15.9
4 - 5 years		17,455	363,956	5,865	387,276	10.6	366,939	14.1
after 5 years		47,530	132,677	29,203	209,410	5.7	134,592	5.2
stocks		86,586			86,586	2.3	63,486	2.4
accrued interest	2,873	7,961	27,626	1,080	39,540	1.1	24,383	1.0
	<u>\$227,962</u>	<u>\$440,487</u>	<u>\$2,796,256</u>	<u>\$202,560</u>	<u>\$3,667,265</u>	<u>100.0</u>	<u>\$2,597,903</u>	<u>100.0</u>

Deposits

Maturity dates	Chequable and savings	Cashable term	Term (2)	December 31, 1976		December 31, 1975	
				Total	%	Total	%
Payable after notice and within one year	\$1,051,140	\$181,276	\$ 460,929	\$1,693,345	48.1	\$1,414,916	57.0
1 - 2 years			402,048	402,048	11.4	231,969	9.3
2 - 3 years			331,633	331,633	9.4	260,178	10.5
3 - 4 years			338,292	338,292	9.6	205,232	8.3
4 - 5 years			532,596	532,596	15.1	276,052	11.1
after 5 years			114,207	114,207	3.2	25,411	1.0
accrued interest	9,328	2,713	99,586	111,627	3.2	69,427	2.8
	<u>\$1,060,468</u>	<u>\$183,989</u>	<u>\$2,279,291</u>	<u>\$3,523,748</u>	<u>100.0</u>	<u>\$2,483,185</u>	<u>100.0</u>

- (1) Securities include various types of bonds and preferred and common stocks, all reflected at stated cost. Preferred stocks which have a specific redemption feature at the option of the holder are reflected in the year when the option may first be exercised.
- (2) Historically, approximately 65% of term deposits are renewed at maturity. Of mortgages not fully paid on maturity, approximately 68% are extended by renewal agreement usually on the same amortization schedule adjusted for any variation in interest rates.
- (3) The maturities have been adjusted to reflect anticipated principal repayments on mortgages, other loans, equipment leased to others and income averaging contracts in the years they are due.

Year ended December 31
1976 1975
(in thousands of dollars)

HOW WE EARNED OUR INCOME

1. Interest from cashable term deposits and bonds held to provide cash as required and to meet government regulations	\$ 37,181	\$ 23,895
2. Dividends from shares we own in other companies	6,872	4,451
3. Interest from mortgages, advances, other secured and consumer loans held as investments	247,499	190,768
4. Income from participating with other companies in leasing equipment to Air Canada and the Province of British Columbia	1,172	870
5. Fees and commissions from services we provided our clients in		
(a) administering the assets of		
(i) personal trust	8,475	7,532
(ii) pension and pooled trust funds	4,496	5,659
(b) transferring stocks, acting as bond trustee, disbursing dividends and interest of other companies	1,802	1,743
(c) selling residential, commercial and industrial real estate	13,094	11,070
6. Service charges, commission on sale of Canada Savings Bonds and the other services we provide	5,976	5,102
Total income earned	<u>\$326,567</u>	<u>\$251,090</u>

HOW WE USED OUR INCOME

1. Interest paid on the money our clients entrusted to us in		
(a) chequing, personal chequing, savings and registered home ownership and retirement savings accounts	\$ 57,675	\$ 33,379
(b) short term certificates cashable after notice	11,775	4,919
(c) debentures, guaranteed investment certificates, retirement savings term accounts and income averaging contracts	166,895	136,707
2. Salaries paid, including pension and other benefit costs, to our employees	31,876	26,696
3. Commissions paid to sales representatives for selling real estate	8,910	7,666
4. The cost, less rents earned, of our office space and equipment to provide our services	8,754	6,936
5. Paid for advertising, research and promotion	3,336	2,448
6. Paid for computer, stationery and other costs required to conduct our business, and provide for possible future investment losses	11,134	8,900
7. Provided for income taxes to the Government of Canada and to the Provinces in which we operate	8,509	9,360
8. Dividends paid to our shareholders	9,675	8,740
9. Earnings retained to finance the future growth of our Company	8,028	5,339
Total income used	<u>\$326,567</u>	<u>\$251,090</u>

At December 31
1976 1975
(in thousands of dollars)

HOW WE OBTAINED MONEY TO INVEST

1. Held in separate chequing, personal chequing, savings, registered home ownership and retirement savings accounts	\$1,060,468	\$ 668,971
2. Held in certificates of deposit which mature in less than one year	183,989	81,061
3. Held in debentures, guaranteed investment certificates, retirement savings term accounts and income averaging contracts	2,279,291	1,733,153
4. Other liabilities outstanding at year-end which will be paid at a future date	5,139	4,384
5. Income taxes which may be paid at some future date	25,187	17,956
6. Money invested by shareholders to finance the operation and future growth of our Company	147,447	120,776
Total money obtained	<u><u>\$3,701,521</u></u>	<u><u>\$2,626,301</u></u>

HOW WE INVESTED THIS MONEY

1. Held in cash and invested in cashable term deposits which can be cashed on short notice to meet the daily demands of our clients	\$ 227,962	\$ 153,135
2. Invested in securities issued by the Government of Canada, Provincial Governments, Municipalities and Corporations	440,487	277,663
3. Invested in mortgage, consumer, personal and other loans to help finance our clients' needs	2,973,890	2,151,462
4. Invested in equipment leased to Air Canada and the Province of British Columbia	24,577	14,958
5. Purchased land, buildings and equipment necessary to provide services from coast to coast at our 125 (96 in 1975) branches and mortgage offices and 56 (48 in 1975) real estate offices	34,004	28,398
6. Income taxes recoverable	252	
7. Real estate acquired in settlement of loans	349	685
Total money invested	<u><u>\$3,701,521</u></u>	<u><u>\$2,626,301</u></u>
Value of assets handled by our trust departments	\$3,189,000	\$2,937,000
Total value of assets entrusted to our care	\$6,891,000	\$5,563,000

FOURTH QUARTER CONSOLIDATED STATEMENT OF EARNINGS,
three months ended December 31
(Unaudited)

	1976	1975	% Increase (Decrease)
Income			
Investment			
Cashable term deposits and securities	\$12,471,000	\$ 8,226,000	52
Loans and other	70,598,000	51,691,000	37
	<u>83,069,000</u>	<u>59,917,000</u>	39
Fees and commissions			
Personal trust	2,124,000	1,833,000	16
Pension and pooled trust funds	466,000	954,000	(51)
Corporate trust	505,000	517,000	(2)
Real estate sales	3,600,000	3,429,000	5
	<u>6,695,000</u>	<u>6,733,000</u>	(1)
Other	1,995,000	1,885,000	6
	<u>91,759,000</u>	<u>68,535,000</u>	34
Expense			
Interest on deposits	66,994,000	47,436,000	41
Salaries, pension and other employee benefits	8,361,000	6,750,000	24
Real estate commissions	2,404,000	2,439,000	(1)
Net occupancy and equipment	2,094,000	1,826,000	15
Advertising	768,000	560,000	37
Other	3,480,000	2,990,000	16
	<u>84,101,000</u>	<u>62,001,000</u>	36
Earnings before income taxes	7,658,000	6,534,000	17
Income taxes	2,367,000	2,276,000	4
Net earnings	<u>\$ 5,291,000</u>	<u>\$ 4,258,000</u>	24
Attributed to			
Preference shares series A	\$ 141,000	\$ 166,000	(15)
Preference shares series B	544,000	544,000	
Common shares	4,606,000	3,548,000	30
	<u>\$ 5,291,000</u>	<u>\$ 4,258,000</u>	24
Net earnings per common share - basic	76¢	65¢	17
Net earnings per common share - fully diluted	71¢	62¢	15
Dividends paid per common share	30¢	30¢	

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SECRETARY

C. Robert Clarke
Vice-President

• AUDIT SERVICES

John L. Doran
Assistant Vice-President

ADVISORY BOARDS

PACIFIC

*J.V. CLYNE, Vancouver
Director, MacMillan Bloedel Limited

R.B. WILSON, Victoria
President, The B. Wilson Company Limited

H. CLARK BENTALL, Vancouver
Chairman and Chief Executive Officer
Dominion Construction Company Ltd.

C.W. BRAZIER, Vancouver
Barrister and Solicitor

RICHARD I. NELSON, Vancouver
Chairman and President
British Columbia Packers Limited

EDWIN C. PHILLIPS, Vancouver
President and Chief Executive Officer
Westcoast Transmission Company Limited

CLARKE SIMPKINS, Vancouver
President, Clarke Simpkins Ltd.

H.R. STEPHEN, Victoria
Retired Executive

J.D. WILSON, Vancouver
Corporate Director

J.H. WILSON, Victoria
Retired Executive

OAKVILLE

*WESLEY J. BEATTY, Acton
Retired Executive

JOHN R. BARBER, Georgetown
President, Barber & Henley Limited

J.S. BEATTY, Oakville
Retired Executive

M.C. BEATY, Milton
Real Estate Representative

A.G. CLARKSON, Mississauga
Professional Engineer

F.M. EARLY, Brampton
President, Early's Farm Supply Ltd.

REFORD GARDHOUSE, Milton
Livestock Farmer

E. DUNLOP GOULDING, Toronto
Vice-President, Goulding, Rose & Turner Ltd.

MICHAEL LEDWITH, Milton
Real Estate

W.H. McCaugherty, Streetsville
Retired Farmer

ANGUS McMILLAN, Oakville
Barrister and Solicitor

JAMES PENGILLEY, Mississauga
Retired Farmer

EARL S. PORTEOUS, Dundas
Retired Executive

EVERETT E. SLACER, Oakville
Retired Farmer

TORONTO

*M.C.G. MEIGHEN
Vice-President, Canada Trust
Chairman, Canadian General
Investments Limited

A.E. BARRON
Chairman, Canadian Tire Corporation Limited

HENRY BORDEN
Corporate Director

R.P. BRATTY
Barrister and Solicitor

G.E. CREBER
President and Chief Executive Officer
The Consumers' Gas Company

ELMORE HOUSER
Barrister and Solicitor

MARGARET P. HYNDMAN
Barrister and solicitor

R.W. STEVENS
Barrister and Solicitor

JOHN D. STEVENSON
Barrister and Solicitor

NOAH TORNO
Chairman and Chief Executive Officer
Jordan Valley Wines Limited

*Chairman

REAL ESTATE AND MORTGAGE OFFICE LOCATIONS

Gerald T. O'Connor
Regional Real Estate Manager
Pacific Region

PACIFIC REGION

BURNABY • 5665 Kingsway

NANAIMO • 86 Commercial St.

PRINCE GEORGE • 500 Victoria St.

VANCOUVER • 1475 W. Broadway
5710 Yew St.

VICTORIA • 1537 Hillside Ave.
2252 Oak Bay Ave.

Stan Turner
Regional Real Estate Manager
Prairie Region

PRAIRIE REGION

BRANDON • 636 Rosser Ave.

CALGARY • 6624 Centre St. S.
1324 Centre St. N.E. • 239 - 8th Ave. S.W.

EDMONTON • 10150 - 100 St. • 9509 - 156 St.

LETHBRIDGE • 622 Third Ave. S.

MEDICINE HAT • 477 Third St. S.E.

MOOSE JAW • 318 Main St. N.

RED DEER • 4928 Ross St.

REGINA • 277 Albert St.

SASKATOON • 115-2nd Ave. N.

WINNIPEG • 1433 Corydon Ave.
1103 Henderson Highway

J. Michael Whatmore
Regional Real Estate Manager
Southwestern and Midwestern Ontario Regions

SOUTHWESTERN ONTARIO REGION

LONDON • 1314 Huron St. • 245 Pall Mall St.
1225 Hutton Rd. • 1067 Wellington Rd. S.

ST. THOMAS • 378 Talbot St.

SARNIA • 350 N. Christina St.

SIMCOE • 46 Norfolk St. N.

WINDSOR • 2521 Dougall Rd.

MIDWESTERN ONTARIO REGION

CAMBRIDGE • 415 Hespeler Rd.

ELMIRA • 53 Arthur St. S.

FERGUS • 298 St. Andrews St. W.

GUELPH • 34 Wyndham St. N.

KITCHENER • 305 King St. W.

STRATFORD • 187 Ontario St.

MORTGAGE OFFICES

MONTREAL • 7040 Rue St. Hubert

TORONTO • 491 Eglinton Ave. W.

James R. Grieve
Regional Real Estate Manager
Central Ontario, Hamilton-Niagara and
Quebec-Atlantic Regions

CENTRAL ONTARIO REGION

BARRIE • 91 Dunlop St. E.

BRAMPTON • 28 Main St. N.

GEORGETOWN • 29 Main St. S.

MISSISSAUGA • 2580 Hurontario St.

OAKVILLE • 83 Trafalgar Rd.

OTTAWA • 1430 Prince of Wales Dr.

RICHMOND HILL • 9350 Yonge St.

TORONTO • 2962 Bloor St. W.
472 Eglinton Ave. W. • 109 Rexdale Blvd.
2432 Eglinton Ave. E. • 6989 Yonge St.

WILLOWDALE • 29 The Links Rd.

HAMILTON-NIAGARA REGION

BURLINGTON • 4045 New St.
777 Guelph Line

DUNDAS • 132 King St. W.

HAMILTON • 592 Upper James St.

NIAGARA FALLS • 4463 Queen St.

ST. CATHARINES • 1011 Welland Ave.

WELLAND • 87 Main St. E.

QUEBEC-ATLANTIC REGION

HALIFAX • 6239 Quinpool Rd.

PACIFIC REGION

Burnaby Kingsway, 4994 Kingsway Plaza,
Kingsway at Marlborough
Nanaimo, 86 Commercial St.
New Westminster, 700 - 6th St. at 7th Ave.
Prince George, 500 Victoria at 5th
Vancouver Chinatown, 416 Main
Vancouver Denman, 1040 Denman
Vancouver Kerrisdale, 2198 - 41st Ave. W.
Vancouver Main, 901 West Pender
Vancouver Oakridge, 5695 Cambie at 41st
Vancouver Park Royal, Park Royal
Shopping Centre, 779 Park Royal
Victoria, 650 View St.

PRAIRIE REGION

Brandon, 636 Rosser Ave.
Calgary Main, 239 - 8th Ave. S.W. at 2nd
Calgary Market Mall, Market Mall,
3625 Shaganappi Trail N.W.
Calgary Southcentre, Southcentre Mall,
100 Anderson Rd. S.E.
Edmonton Main, 10150 - 100th St.
Edmonton Thorncliffe, Thorncliffe Plaza,
8246 - 175th St.
Lethbridge, 622 - 3rd Ave. S. at 7th St.
Medicine Hat, 477 - 3rd St. S.E. at 5th Ave.
Moose Jaw, 318 Main St. N.
Red Deer, 4928 Ross St.
Regina, 1921 Scarth at Victoria Park
Saskatoon, 115 - 2nd Ave. N. at 22nd St.
Winnipeg Main, 230 Portage at Fort
Winnipeg Unicity, Unicity Mall,
3605 Portage Ave.

SOUTHWESTERN ONTARIO REGION

Chatham Main, 62 King St. W.
Chatham Place, Chatham Place, R.R. 7
Delhi, 78 Church St. W. at Queen
Leamington, 1 Talbot St. E. at Erie
London Byron, 305 Boler Rd.
London City Centre Main, City Centre,
275 Dundas at Wellington
London Dundas & Clarence, 220 Dundas
London East, 754 Dundas at English
London Market, 4 Covent Market Place
London North, 1253 Huron at Highbury
London Oakridge, Oakridge Plaza,
1213 Oxford W.
London Sherwood, 1055 Hutton Rd.
London South, 191 Wortley Rd.
London University, 1137 Richmond
St. Thomas Elgin Mall, Elgin Mall,
417 Wellington St.
St. Thomas Main, 378 Talbot at Elgin
Sarnia Christina, 357 N. Christina

Sarnia Lochiel, 139 Lochiel near Christina
Simcoe, 46 Norfolk N. at Young
Windsor Devonshire Mall,
Devonshire Mall, 3100 Howard Ave.
Windsor Main, 190 University W.
Windsor, 600 Ouellette Ave. at Wyandotte

MIDWESTERN ONTARIO REGION

Cambridge Main, 44 Main S.
Cambridge Preston, 602 King St. E.
Cambridge John Galt, John Galt Centre,
355 Hespeler Rd.
Elmira, 53 Arthur St.
Fergus, 298 St. Andrews St. W.
Guelph Main, 34 Wyndham at Cork
Guelph Speedvale, 666 Woolwich St.
Guelph Willow West, Willow West Mall,
175 Silvercreek Parkway N.
Kitchener Belmont, 693 Belmont Ave. W.
Kitchener Fairview Park,
Fairview Park Mall, 200 Fairway Rd.
Kitchener Forest Hill, Forest Hill Plaza,
421 Greenbrook Dr.
Kitchener King & Ontario, 69 King St. W.
Kitchener Main, 305 King St. W. at Water
Kitchener Market Square,
Market Square Mall, 25 Frederick
Kitchener Stanley Park,
Stanley Park Mall, 1005 Ottawa St. N.
Stratford, 41 Downie at Albert
Waterloo Main, 8 Erb St. W. at King
Waterloo Lincoln Plaza, 90 Weber N.
Waterloo University, Westmount Place,
50 Westmount Rd. N.

HAMILTON-NIAGARA REGION

Burlington Brant, 510 Brant at Caroline
Burlington Mall, Burlington Mall,
777 Guelph Line
Burlington Mall, Robinson's,
777 Guelph Line
Dundas, 60 King St. W. near Sydenham
Dunnville, 163 Lock St. E.
Fort Erie, 70 Jarvis St.
Grimsby, 56 Main St. W. at Christie
Hamilton Centre Robinson's, The Centre
(in Robinson's), 1227 Barton St. E.
Hamilton East, Eastgate Square,
75 Centennial Parkway N., Stoney Creek
Hamilton Main, 46 King St. E. at Hughson
Niagara Falls Main, 4463 Queen St.
Niagara Falls Town & Country, Town &
Country Plaza, 3645 Portage Rd.
Port Colborne, 136 Clarence at Elm
St. Catharines, 40 King St.
St. Catharines Grantham, Grantham Plaza,
364 Scott St.

St. Catharines Main, 60 James at King
St. Catharines Pen Centre,
Pen Centre, Glendale Ave.
Stoney Creek, 99 Highway 8
Thorold, 16 Front St. N. at Albert
Welland, 87 Main St. E. at Cross

CENTRAL ONTARIO REGION

Barrie, 91 Dunlop St. E.
Bramalea, 264 Bramalea City Centre
Brampton, 28 Main St. N.
Brampton Shoppers' World,
499 Main St. S.
Cornwall, 6 Second St. E.
Halton Hills (Georgetown), 29 Main St. S.
Kapuskasing, Model City Mall, 13 Cain St.
Kingston, 94 Princess St.
Kirkland Lake, 51 Government Rd. W.
Milton, 252 Main St. at Charles
Mississauga Main, 2580 Hurontario
Mississauga Square One, Square One
Shopping Centre, 100 City Centre Dr.
New Liskeard, Whitewood & Armstrong
North Bay, 414 Fraser St.
Oakville, 282 Lakeshore E. at Trafalgar Rd.
Oshawa, 19 Simcoe St. N. at King
Ottawa Main, 170 Laurier Ave. W.
Ottawa Sparks Street, 150 Sparks St.
Richmond Hill, Hillcrest Mall,
9350 Yonge St.
Sudbury, 124 Cedar St.
Timmins, 194 Third Ave.
Toronto Bloor, 558 Bloor St. W.
Toronto Eglinton West,
1064 Eglinton Ave. W. at Bathurst
Toronto Eglinton, 472 Eglinton W.
Toronto Fairview, Fairview Mall,
1800 Sheppard Ave. E., Willowdale
Toronto Kingsway, 3006 Bloor St. W.
Toronto Lakeshore, 2913 Lakeshore
Blvd. W. at Royal York Rd.
Toronto Main, 110 Yonge St. at Adelaide
Toronto Markland Wood, 4335 Bloor W.
Toronto North Yonge, 2453 Yonge
Toronto Richview, Richview Plaza,
250 Wincott Dr. at Eglinton W.
Toronto St. Andrews, 29 The Links Rd.
Toronto St. Clair, 15 St. Clair W. at Yonge
Toronto Shoppers' World,
Shoppers' World, 3003 Danforth
Toronto Queen, 1468 Queen St. W.

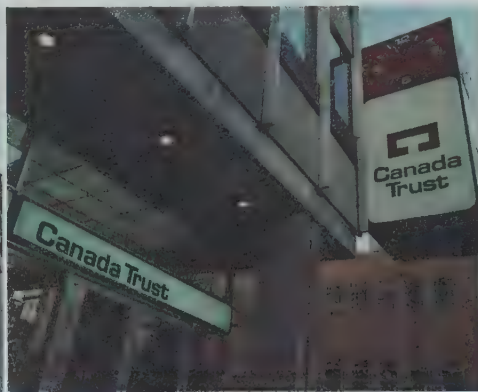
QUEBEC-ATLANTIC REGION

Halifax, 6239 Quinpool at Monastery
Montreal Main, 800 Dorchester Blvd. W.

Toronto Markland Wood
Welland
Lethbridge

Vancouver Main and
Pacific Regional Office
Calgary Main and Prairie Regional Office
London University

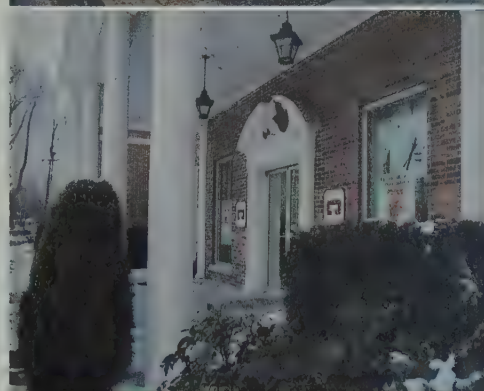
London Oakridge
Mississauga Square One
Guelph Main (100th year in 1976)



*St. Catharines Main and
Hamilton-Niagara Regional Office
London South
Vancouver Denman*

*Kitchener Fairview Park
Vancouver Kerrisdale
Toronto Main and
Central Ontario Regional Office*

*Saskatoon
Kitchener Main and
Midwestern Ontario Regional Office
London Byron*





Canada Trust

*Regina
Toronto Richview
Hamilton East*

*Burlington Mall
Kitchener Market Square
Winnipeg Unicity*

*Kitchener King & Ontario
Sarnia Christina
Kingston*



ad concorp

CANADA TRUSTCO MORTGAGE COMPANY
• THE CANADA TRUST COMPANY
SIX MONTHS ENDED JUNE 30, 1976

Shareholder Quarterly

Report to Shareholders

The second quarter was highlighted by completion of the acquisition of Lincoln Trust on June 29th. Preference and common shares acquired under the offer now total 99.9% and 99.3% respectively of those outstanding. The offer has been extended to July 30th, 1976, to permit the few remaining Lincoln shareholders to tender their shares and holders of warrants to exercise same and offer the resultant common shares if they so desire. No further extensions of the offer are planned. Amalgamation planning is well advanced.

Lincoln Trust assets, liabilities and shareholders' equity have been consolidated in the June 30, 1976 Statement of Condition. In that ownership was effective for one day only, no earnings of Lincoln have been reflected in the Statement of Earnings. Future statements will consolidate both Condition and Earnings net of minority interest if any.

Net earnings per common share, based on the weighted average of such shares outstanding during the second quarter, amounted to 61¢, a modest improvement of 7% over the comparable period of 1975.

Several figures warrant comment. The decline in pension and pooled trust funds fees was attributable in more than its entirety to a restructuring of our registered retirement savings plans effective February 1st, 1976. Prior thereto an administration fee was charged on the

guaranteed section of the plan. Since February 1st the administration fee has been eliminated for R.R.S.P. savings and guaranteed investment certificate sections and remuneration to the Company therefrom consists solely of the spread received between interest earned on investments and paid on deposits.

Personal, pension and pooled trust funds and total assets under administration have been restated to eliminate duplication of R.R.S.P. deposits previously included under deposits in the Statement of Condition and under trust assets administered.

Income taxes have been reduced largely due to further purchases of Canadian corporation preference and common stocks, dividends from which are received free of tax in our hands.

Draft regulations under the Anti-Inflation Act have been issued. Representations are presently being made to hopefully correct glaring inequities relative to draft regulations for the banks. In the midst of such uncertainty a forecast of earnings for the balance of the year is extremely difficult. However, earnings results for the second half will likely parallel or slightly exceed the performance of the first six months.

J. Allyn Taylor, Chairman
Arthur H. Mingay, President
Mervyn L. Lahn, Executive Vice-President



The following statements are the unaudited consolidated results of operations for the three months and six months ended June 30, 1976 showing a comparison for the same periods in 1975. The earnings shown do not necessarily represent an annual rate of profit, because of seasonal variations.

STATEMENT OF EARNINGS

INCOME	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	1976	1975	% Increase (Decrease)	1976	1975	% Increase (Decrease)
Investments						
Cashable term deposits and securities	\$11,394,000	\$ 7,663,000	49	\$ 20,414,000	\$ 13,645,000	50
Loans and other	57,695,000	45,993,000	25	112,300,000	90,303,000	24
	<u>69,089,000</u>	<u>53,656,000</u>	29	<u>132,714,000</u>	<u>103,948,000</u>	28
Fees and commissions						
Personal trust	1,859,000	1,742,000	7	4,504,000	4,077,000	10
Pension and pooled trust funds	961,000	1,450,000	(34)	2,991,000	3,298,000	(9)
Corporate trust	524,000	432,000	21	886,000	742,000	19
Real estate sales	3,000,000	2,555,000	17	5,414,000	4,183,000	29
	<u>6,344,000</u>	<u>6,179,000</u>	3	<u>13,795,000</u>	<u>12,300,000</u>	12
Other	<u>1,400,000</u>	<u>1,091,000</u>	28	<u>2,555,000</u>	<u>1,898,000</u>	35
	<u>76,833,000</u>	<u>60,926,000</u>	26	<u>149,064,000</u>	<u>118,146,000</u>	26
EXPENSE						
Interest on deposits	55,759,000	41,805,000	33	106,530,000	83,335,000	28
Salaries, pension and other employee benefits	7,717,000	6,694,000	15	15,423,000	13,210,000	17
Real estate commissions	2,051,000	1,729,000	19	3,689,000	2,845,000	30
Net occupancy and equipment	2,020,000	1,721,000	17	4,219,000	3,392,000	24
Marketing	893,000	730,000	22	1,734,000	1,265,000	37
Other	2,698,000	2,040,000	32	5,344,000	3,933,000	36
	<u>71,138,000</u>	<u>54,719,000</u>	30	<u>136,939,000</u>	<u>107,980,000</u>	27
Earnings before income taxes	5,695,000	6,207,000	(8)	12,125,000	10,166,000	19
Income taxes	1,592,000	2,527,000	(37)	3,910,000	4,095,000	(5)
NET EARNINGS	<u>\$ 4,103,000</u>	<u>\$ 3,680,000</u>	11	<u>\$ 8,215,000</u>	<u>\$ 6,071,000</u>	35
Attributed to						
Preference shares series A	\$ 167,000	\$ 186,000	(11)	\$ 333,000	\$ 372,000	(11)
Preference shares series B	543,000	317,000	71	1,087,000	317,000	243
Common shares	<u>3,393,000</u>	<u>3,177,000</u>	7	<u>6,795,000</u>	<u>5,382,000</u>	26
	<u>\$ 4,103,000</u>	<u>\$ 3,680,000</u>	11	<u>\$ 8,215,000</u>	<u>\$ 6,071,000</u>	35
Net earnings per common share	61¢	57¢	7	\$1.23	97¢	26
Net earnings per common share - fully diluted	60¢	57¢	5	\$1.19	97¢	23
Dividends paid per common share	30¢	30¢		60¢	60¢	
Canada Trustco shares outstanding						
Series A preference	380,280	425,000	(11)	380,280	425,000	(11)
Series B convertible preference	1,500,000	1,500,000		1,500,000	1,500,000	
Class A convertible common	5,804,100	5,521,088	5	5,804,100	5,521,088	5
Class B convertible common	167,030			167,030		



STATEMENT OF CONDITION

ASSETS	JUNE 30 1976	% Increase (Decrease)	JUNE 30 1975	DECEMBER 31 1975
Investments				
Cash and cashable term deposits	\$ 219,061,000	59	\$ 138,054,000	\$ 153,135,000
Securities	389,229,000	46	267,009,000	277,663,000
Loans and other	2,522,801,000	27	1,985,677,000	2,167,105,000
	<u>3,131,091,000</u>	31	<u>2,390,740,000</u>	<u>2,597,903,000</u>
Premises and equipment	32,481,000	17	27,805,000	28,398,000
	<u>\$3,163,572,000</u>	31	<u>\$2,418,545,000</u>	<u>\$2,626,301,000</u>
LIABILITIES				
Deposits	\$3,007,609,000	32	\$2,276,839,000	\$2,483,185,000
Other	4,896,000	(13)	5,615,000	4,384,000
Provision for future income taxes	21,084,000	31	16,075,000	17,956,000
	<u>3,033,589,000</u>	32	<u>2,298,529,000</u>	<u>2,505,525,000</u>
SHAREHOLDERS' EQUITY	129,983,000	8	120,016,000	120,776,000
	<u>\$3,163,572,000</u>	31	<u>\$2,418,545,000</u>	<u>\$2,626,301,000</u>
Personal, pension and pooled trust funds	\$2,986,000,000	12	\$2,657,000,000	\$2,937,000,000
Total assets under administration	\$6,150,000,000	21	\$5,076,000,000	\$5,563,000,000

QUARTERLY ANALYSIS OF NET EARNINGS (in thousands of dollars except interest rate spread and earnings per share)

Quarter	Interest rate spread taxable equivalent basis	Investment income less interest on deposits	Fees and commissions	Non interest expenses	Net earnings	Net earnings per common share — basic
1972						
1st	2.13%	\$ 8,444	\$ 4,287	\$ 7,071	\$ 3,222	\$.58
2nd	2.13	8,688	3,482	7,215	2,869	.52
3rd	2.09	8,850	3,505	7,496	2,918	.53
4th	2.64	11,035	3,218	7,501	4,173	.76
Total	2.25	<u>37,017</u>	<u>14,492</u>	<u>29,283</u>	<u>13,182</u>	<u>2.39</u>
1973						
1st	2.14	9,733	4,920	8,490	3,405	.62
2nd	2.37	10,654	3,687	8,627	3,100	.56
3rd	1.69	8,545	4,835	8,739	2,970	.54
4th	2.22	10,806	4,305	9,153	3,427	.62
Total	2.11	<u>39,738</u>	<u>17,747</u>	<u>35,009</u>	<u>12,902</u>	<u>2.34</u>
1974						
1st	1.63	9,004	5,863	10,029	2,891	.52
2nd	1.54	8,531	5,183	10,855	2,035	.37
3rd	1.35	7,737	5,429	10,702	1,996	.36
4th	1.40	8,036	4,782	10,973	2,107	.36
Total	1.47	<u>33,308</u>	<u>21,257</u>	<u>42,559</u>	<u>9,029</u>	<u>1.61</u>
1975						
1st	1.48	8,762	6,121	11,731	2,391	.40
2nd	1.93	11,851	6,179	12,914	3,680	.57
3rd	1.76	11,885	6,971	13,436	3,750	.55
4th	1.90	12,481	6,733	14,565	4,258	.65
Total	1.77	<u>44,979</u>	<u>26,004</u>	<u>52,646</u>	<u>14,079</u>	<u>2.17</u>
1976						
1st	1.74	12,854	7,451	15,030	4,112	.62
2nd	1.85	13,330	6,344	15,379	4,103	.61
Total	1.80	<u>26,184</u>	<u>13,795</u>	<u>30,409</u>	<u>8,215</u>	<u>1.23</u>

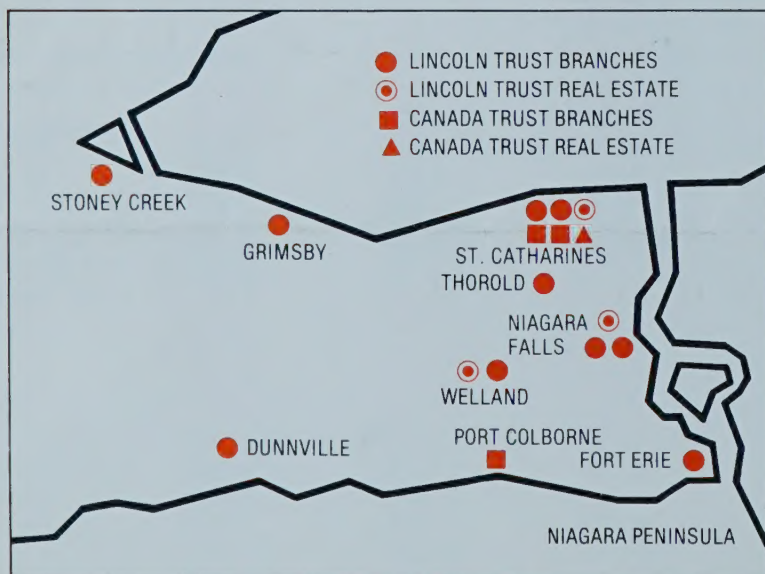


Lincoln Trust

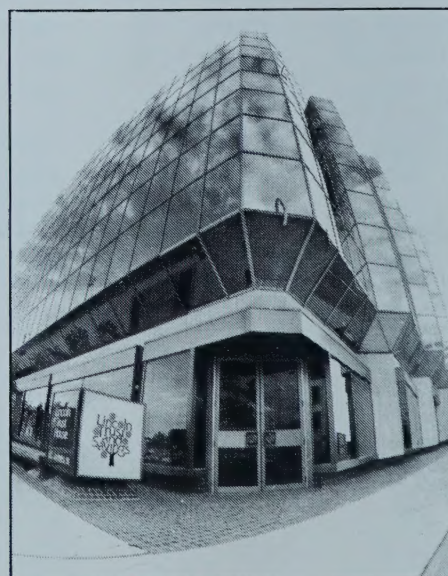
With the acquisition of Lincoln Trust completed, Canada Trust gains 10 financial services branches and 3 real estate offices. This extends our branch network to 104 and our real estate offices to 51. As the map below indicates, we significantly strengthen our branch coverage in the Niagara Peninsula.

Lincoln Trust, a young company founded in 1964, has experienced excellent and sound growth due largely to a group of well-qualified and enthusiastic employees who now number 166. We welcome their strengths and look forward to a smooth integration. With virtually no overlapping of branches this should be readily accomplished.

The Lincoln Trust acquisition has afforded the opportunity for us to create a seventh region which will be known as HAMILTON-NIAGARA. This encompasses 20 branches and 7 real estate offices in the Niagara Peninsula, Hamilton, Dundas and Burlington. Mr. Leo P. Sauve, C. A., President of Lincoln Trust, brings considerable expertise to his new role as Vice-President responsible for this new Region. Regional headquarters will be based in Lincoln Trust House in St. Catharines.



Branches and Real Estate Offices



Lincoln Trust House
St. Catharines